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Ruling Russia
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Friends of Bill
Clinton toasts Gingrich and Greenspan
Philip Stephens, Page 14

Jordan
Peace crisis crushes hopes
Survey, pages 9-11

World Business Newspaper http://www.FT.com FRIDAY NOVEMBER 1 1996

Zaire's army faces defeat as Tutsis advance on Goma

Zaire's army was facing a humiliating defeat as Tutsi fighters advanced on Goma, capital of north Kivu. The Tutsis, suspected of belonging to the Rwandan army, are on the verge of seizing a swathe of east Zaire, putting them in a position to dictate terms to the Zairean authorities. The country is seemingly paralysed by the absence of President Mobutu Sese Seko, who is being treated in Switzerland for prostate cancer. Page 16

At least 98 dead as aircraft hits houses

All 96 passengers and crew on board a Fokker F-100 en route to Rio de Janeiro were killed when it crashed shortly after take-off from Sao Paulo airport. The aircraft, operated by Brazilian airline TAM, clipped two blocks of flats before crashing into houses two miles from the airport. Rescue workers (above) said at least three people on the ground were killed. Page 4

Stena slips into red: Stena Line, the world's largest ferry operator, blamed competition on the English Channel and delayed ship deliveries for a SKr251m ($38m) loss during the first nine months. Page 17

World Bank's management attacked: The World Bank's management came under fire from members of its executive board after its in-house watchdog warned that its work on poverty reduction was inadequate. Page 7

IFC moves into Vietnam: The International Finance Corporation, private sector arm of the World Bank, announced its first move into Vietnam's financial sector. Page 5

Sabena unions agree cuts: A fresh financial crisis at Sabena was averted when trade unions agreed a cost-cutting programme after Swissair threatened to write off its SFr260m ($207.2m) investment in the Belgian airline. Page 16; Airline strike likely to embarrass Philippines, Page 6

Pharmacia's second profits warning: Swedish-US pharmaceuticals company Pharmacia and Upjohn issued its second profits warning in three weeks. Page 17; Lex, Page 26

Hungarian telecoms group to float: Matav, Hungary's national telecommunications company, is poised to float within the next 18 months. Page 17

Malaysia challenges US threat: Malaysia, whose national oil company faces US sanctions for investing in Iran, said that it will use "international forums" to challenge Washington's threat. Page 6

India speeds investment approval: India's Foreign Investment Promotion Board cleared 63 foreign investment proposals worth a total of $694m, sustaining a recent government drive to accelerate such approvals. Page 5

TV Asahi limits Murdoch's influence: Japan's Asahi National Broadcasting, in which Rupert Murdoch's News Corporation has a 21.4 per cent stake with Softbank, has acted to curb the influence of the media group and its Japanese partner. Page 17

Market watchdogs plan summit: The world's three biggest commodity futures market watchdogs are to discuss concerns about global commodity market regulation in the wake of the Sumitomo copper scandal. Page 26

Thai trade gap narrows: Thailand's current account deficit dipped below Bt30bn ($1.18bn) for the first time in six months, the central bank said, suggesting the country's economic woes may be easing. Page 6

Swiss army secrets missing: The head of the Swiss army, which has not fought a war in 500 years, is stepping down following accusations that top-secret battle plans may have fallen into the wrong hands. Page 2

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■ STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	5,966.55	(+4.35)
NASDAQ Composite	1,212.71	(+6.48)
Europe and Far East		
CAC40	2,140.81	(+15.79)
DAX	2,669.25	(-19.48)
FTSE 100	3,979.1	(+15.2)
Nikkei	20,466.69	(-214.81)

■ US LUNCHTIME RATES	
Federal Funds	5¼%
3-mth Treas Bills: Yld	5.149%
Long Bond	100½
Yield	6.678%

■ OTHER RATES		
UK: 3-mo Interbank	6⅛%	(6¼%)
UK: 10 yr Gilt	99¼	(99½)
France: 10 yr OAT	103.59	(103.7)
Germany: 10 yr Bund	101.71	(101.91)
Japan: 10 yr JGB	102.8098	(103.317)

■ NORTH SEA OIL (Argus)		
Brent Dated	$22.63	(23.165)

■ GOLD		
New York: Comex		
(Dec)	$379.1	(381.3)
London:		
close	$379.8	(380.2)

■ DOLLAR		
New York: lunchtime		
£	1.628	
DM	1.51675	
FFr	5.121	
SFr	1.2575	
Y	113.97	
London:		
£	1.6284	(1.6324)
DM	1.5132	(1.5073)
FFr	5.1082	(5.0918)
SFr	1.2587	(1.2494)
Y	113.74	(113.88)
Tokyo close:	Y 113.86	

■ STERLING		
DM	2.4641	(2.4604)

Albania LEK 275, Austria Sch27, Bahrain Din1.300, Belgium BFr75, Bulgaria Lev 20, Croatia Kn 20, Cyprus C£1.20, Czech Rp CK70, Denmark DKr20, Egypt E£5.00, Estonia EK 28, Finland FM16.00, France FFr12.00, Germany DM4.00; Gibraltar £0.75, Greece Dr400, Hong Kong HK$20, Hungary Ft270, India Rs 40, Israel Shk9.00, Italy L3300, Japan Y500, Jordan JD1.75, Kuwait Fils750, Lebanon US$3.00; Lithuania Lits 10.00, Lux LFr75, Malta Lm0.70, Morocco MDh16, Neth Fl4.25, Nigeria Naira125, Norway NKr22.00, Oman OR1.25, Pakistan Rs50, Poland Zl6.00, Portugal Esc(cont) 350; Qatar QR13.00, S.Arabia SR13, Singapore S$4.30, Slovak Rp SK75, S. Africa R12.00, Spain Pta250, Sweden SKr20, Switz SFr3.70, Syria S£80.00, Tunisia Din2.000, Turkey L130,000, UAE Dh13.00

Russian gas group to raise up to $500m to strengthen hold on market

Gazprom aims for eurobonds

By John Thornhill and Andrew Gowers in Moscow

Gazprom, the world's biggest gas concern, is planning to become the first Russian company to tap the eurobond market since the collapse of the Soviet Union.

The move could presage a flood of similar issues by Russian borrowers.

The company, which in October received $429.3m from an international share offer, is expected to raise between $250m and $500m to finance investments to strengthen its already dominant hold on the European gas market.

With the eurobond, Gazprom intends to test the market for an aggressive capital-raising programme in the coming months. The eurobond move is likely to come swiftly after a Russian sovereign bond issue planned for later this month.

Mr Alexander Livshits, the finance minister, said yesterday he still expected the sovereign eurobond issue to come during November.

This is despite fears over President Boris Yeltsin's health, and the breakdown of talks with the International Monetary Fund over the disbursement of the latest tranche of the government's $10.2bn budget support loan.

"As a matter of principle we do not want to have a mass issue," he said. "We will have a small issue with a low yield. We want the first Russian bond issued abroad to have a respectable status."

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Mr Livshits said he hoped the IMF would resume disbursing its credit after a review of Russia's progress in collecting taxes in mid-November.

The sovereign debt issue is seen as a milestone in Russia's re-integration into the world economy, following agreements in principle with the Paris and London clubs of official and commercial bank creditors to reschedule its debts. It, and the Gazprom issue, could clear the way for the rapid development of a corporate bond market, opening up a new source of capital for the country's biggest privatised companies.

Several of Russia's municipal authorities, including Moscow, St Petersburg, and Nizhny Novgorod, are also planning to issue debt finance abroad.

Mr Alexander Semenyaka, the Gazprom director responsible for raising capital, said the company needed $40bn to exploit its vast reserves in the Yamal peninsula, and could not finance the project solely through cash flow.

"We will finance these needs by a variety of means through project finance and the issue of shares and bonds," he said.

Mr Semenyaka said Gazprom had to look abroad to raise finance because of the underdevelopment of Russia's own capital markets.

It would sell more equity to foreign investors following publication of internationally-acceptable accounts next summer. The Russian government has agreed that 9 per cent of Gazprom's equity can be sold abroad.

Gazprom's placement of 1.15 per cent of its shares abroad was heavily over-subscribed by international investors, suggesting there could be strong demand for a eurobond.

Malaysian banks in complex talks over merger

By James Kynge in Kuala Lumpur

Two Malaysian banks are negotiating to merge into the country's second biggest bank, responding to a government drive to prepare local industry for unrestricted regional competition.

The government has pledged to opeo its banking sector to foreign competition by 2004. It is aware that many of the 37 banks which serve Malaysia's 20m people would struggle to compete with Asia's heavyweight banking groups.

The complex negotiations, confirmed by officials yesterday, are aimed at merging Kwong Yik Bank and DCB Holdings. Another company, the conglomerate Malaysian Resources (MRCB), is also negotiating to take a stake in the new bank. The name of the new bank and the proposed shareholdings of the respective parties have not been revealed.

A merger of Kwong Yik and DCB would create a group with shareholders' funds of M$1.89bn ($747m) and total assets of about M$45.7bn. This would rank it behind Maybank, which has total assets of M$94.2bn, and just above Bank Bumiputra with assets of about M$45.6bn.

The new group is likely to operate a range of banking and stockbroking services.

Mr Rashid Hussain, the stockbroker and owner of a brokerage, is expected to be a prime mover in the banking and financial services company. Mr Raebid, the son-in-law of Malaysian tycoon Mr Robert Kuok, has a reputation for innovation and professionalism in stockbroking.

The merger is expected to happen in stages. DCB is expected to acquire the Rashid Hussain stockbroking house. In return, Mr Rashid – who already owns 20 per cent of DCB – is expected to receive new ehares. Later, DCB will acquire Kwong Yik Bank and MRCB will also take a stake, industry analysts said.

Through the MRCB etake, the government will have a significant say in the new bank. In return, the bank is likely to be regarded favourably by top officials – a crucial attribute in a country where the government often has an influence over which companies are awarded a range of commercial opportunities.

"What we are seeing is Malaysia Inc at work," said one analyst at a local brokerage house. "Signs of government guidance are everywhere."

One sign is the fact that Kwong Yik is a subsidiary of

Continued on Page 16

LDP set to form new government

Japanese prime minister Ryutaro Hashimoto, right, indicates to Takako Doi, leader of the leftwing Social Democratic party, a member of the previous coalition, where she should sign a policy accord in Tokyo yesterday. The agreement, which also involved the New Harbinger party, should allow Mr Hashimoto's conservative Liberal Democratic party to govern as a one-party minority government, with its two former partners offering parliamentary support on the issues outlined in the policy accord. Members of parliament will probably elect Mr Hashimoto prime minister at an extraordinary session of the lower house next Thursday. Report, Page 16; Editorial Comment, Page 15 Picture: AP

Brussels approves French scheme to meet Emu target

By Gillian Tett in London and David Owen in Paris

The European Commission yesterday approved France's plan to use FFr37.5bn ($7.36bn) of pension fund transfers from France Télécom to reduce its budget deficit to qualify for a single currency.

The speed at which the decision was taken irritated Germany and Britain. Consultations with countries like the UK bad not yet been completed after doubts about the plan's legitimacy were raised last week.

Mr Yves Franchet, director of the Commission's statistical wing, said France could use the pension fund transfers to cut its deficit to 3 per cent of gross domestic product in 1997.

The move strengthened belief in the financial markets that political pressure would ensure that European Monetary Union takes place. The prices of European government bonds rose sharply, and the French franc rose to FFr3.3755 against the D-Mark, from a previous close of FFr3.379.

The Commission's decision delighted Mr Jean Arthuis, French finance minister, who said it "confirmed his analysis" that the move was permissible.

However, it irritated some European countries, including Germany. Mr Klaus-Dieter Kuehbacher, a Bundesbank council member, argued that the decision was "wrong".

"It challenges other countries which seemingly do not fulfil the criteria to take similar measuree," he said, reflecting concern that countries euch as Italy may now copy the French move.

French unemployment rose in September to a record 3.11m as an opinion poll ebowed prime minister Alain Juppé'e popularity at a record low. The Bank of France clipped five basis points from its intervention base rate to 3.20 per cent. Markets felt little effect. Report, Page 2; Paris may sell part of GAN, Page 2

Soms economists also warned that the decision could exacerbate splits between the Bundesbank and other European countries about how etrictly the Emu criteria ehould be applied.

The European Monetary Institute is to publish its report on Emu convergence next week. Some diplomats believe this may take a more rigorous approach than the Commission.

Last week a meeting of the Commission's statistical advisory committee revealed that German, British and Dutch officials doubted whether it was legitimate for France to use France Télécom funds in its budget calculations.

The Commission asked each member state to comment and said yesterday that a "large majority" of countries accepted France's move, but it refused to reveal the size of this majority.

The statistical advisory committee now plans to hold an emergency meeting to formulate its response next Monday.

Britain set for showdown over EU work rule

By Robert Peston, Political Editor

The British government is preparing for its most dramatic showdown to date with its European Union partners, over a European Court of Justice judgment due in ten days which is expected to implement a maximum 48-hour working week in the UK.

The government has been bitterly resisting the implementation of the restrictions, contained in a 1993 directive.

If the judgment goes against the UK, it will threaten to veto any EU reforms proposed at the current European inter-government conference unless the judgment is overturned.

"We don't care whether or not there is a new EU treaty [under negotiation at the conference]. So if they want it, they are going to have to play ball on the working time directive," said a senior politician.

The cabinet's combative stance follows the receipt of disappointing legal advice on their ability to delay implementation. Ministers bad hoped that they could buy time by insisting on a long period of consultation before implementation.

However they have been advised that the November 23 deadline for other EU countries applies to the UK as well.

The government denied it was once again talking tough, as in the early stages of the BSE beef crisis, only to back off when it came to the crunch.

"You have to understand that the prime minister feels passionately about the social angle of the EU," said one of his colleagues.

"Having secured an opt-out from the social chapter, he is not going to see all that thrown away just before the British election".

The working time directive would give employees in many industries the right to secure a maximum 48-hour working week. Mr Major felt be had

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September's figure climbs as prime minister's standing falls

French jobless at record level

By David Owen in Paris

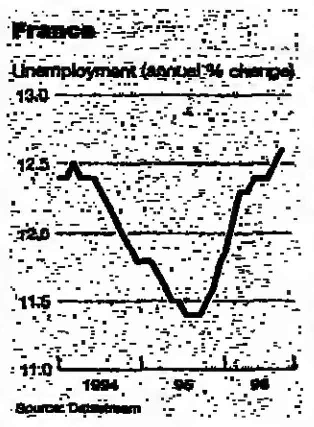
French unemployment rose more than expected in September. It climbed by 27,700 to reach a record high of 12.6 per cent, as an opinion poll showed the popularity of Mr Alain Juppé, the prime minister, falling to a record low.

The unemployment rate reported by the labour ministry was the same as that initially recorded for August but this was subsequently revised down by 0.1 percentage points to 12.5 per cent. The September figure is more than a full point higher than the level a year ago.

Yesterday's figures, which took the overall number out of work to 3.11m, came as the Bank of France shaved five basis points from its intervention base rate to 3.20 per cent. The move, which was smaller than expected, had little immediate impact on the markets.

The opposition Socialist party seized on yesterday's jobless statistics, saying the "inexorable" rise in unemployment was a "disastrous consequence of the restrictive economic policy" of Mr Juppé's government.

It said that the most worrying aspect of the figures was the increase in unemployment among young people under 25 years of age. It pledged to give this problem "an absolute priority".



The party's comments came as a new survey showed Mr Juppé's popularity at its lowest level since he entered office 17 months ago.

The Louis Harris poll for the magazine Valeurs Actuelles said 24 per cent, or less than one in four, of 1,000 respondents questioned were satisfied with the prime minister's performance, down from 30 per cent a month ago. This figure was lower even than the 27 per cent approval rating for Mr Juppé recorded last December around the time of the crippling public-sector strikes that virtually paralysed the country.

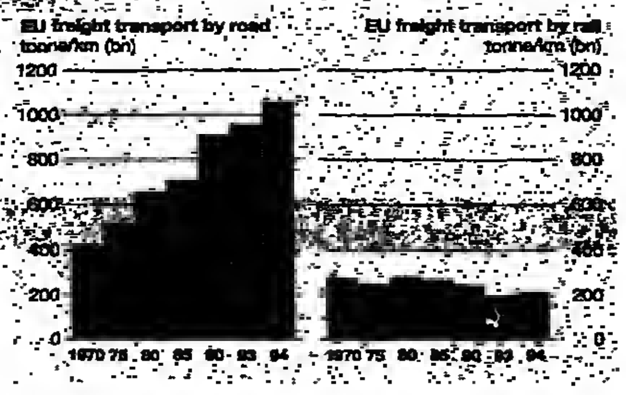
The government has been criticised strongly in recent days for its handling of the sale of the Thomson electronics giant to the Lagardère defence group. Earlier this week, it tried to defuse the situation by promising a full parliamentary debate before a definitive decision was taken.

The survey also showed a five-point increase to 70 per cent in the proportion of respondents who believed the economy was deteriorating.

Adding to the gloomy picture, the Unedic unemployment insurance scheme yesterday revised up its jobless forecasts and predicted unemployment would not finally stabilise until 1998.

Off the rails, on to the road

	Employees 1994	Route ('000 km) 1994	Passenger traffic: Passenger/km 1995	Passenger traffic: % change 1995 over 1985	Freight traffic: Tonne/km 1995	Freight traffic: % change 1995 over 1985
France (SNCF)	185,690	32.3	55.2bn	-10.8%	48.0bn	-17.8%
Germany (DB)	327,076	41.4	60.5bn	[illegible]	69.5bn	[illegible]
Italy (FS)	140,249	16.0	[illegible]	[illegible]	22.2bn	[illegible]
Spain (RENFE)	41,137	12.6	15.3bn	-4.1%	9.6bn	-15.5%
UK (BR)	118,086	16.8	29.8bn	-1.5%	13.8bn	-14.0%



Red signal ahead for EU rail aid

Brussels is intending to shake up the Continent's cosseted railway companies, writes Caroline Southey

Railways on the European continent are caught in a time-warp. There is no single market, competition rules do not apply and rail companies in most EU countries are heavily subsidised.

While liberalisation has forced deregulation in energy, telecommunications and some parts of the transport industry, such as airlines, most EU rail operators have been left untouched.

But their cosy position could be coming to an end. Plans are being drawn up in Brussels to strip rail companies of their right to unlimited state aid, force the break-up of monopolies which control infrastructure and services, and remove barriers to EU-wide rail networks.

Said one EU diplomat: "The choice is between governments pouring money into a bottomless pit, or doing something about loss-making monopolies. The Commission is offering member states an alternative."

Rail operators from the 15 EU countries have been meeting in Brussels this week to map out the first "freight freeways" across the European Union. The idea, spearheaded by the Commission, is to force the pace of change by pressing ahead with corridors running through several EU countries to prove that rail can match the speed and reliability of road hauliers.

Rail freight services have been in steady decline for 25 years. Hauliers have taken to the road as rail freight speed has dropped to an average speed of 25km per hour. Between 1970 and 1994 rail lost half its market share as road freight increased by 150 per cent. Although railways carried 25 per cent more passengers, this figure must be set against a 120 per cent rise in car ownership.

The merit of the freight freeway initiative is that it requires no legislation or large investment in infrastructure. As a result, all member states have volunteered to take part. One of the first of six routes to be considered will run from the ports of Rotterdam, Antwerp and Hamburg through Germany and Austria to Milan.

The Commission hopes the corridors will set useful precedents by breaking down national barriers and sweeping away out-dated practices. These include different signalling and safety standards, limited and nationally dominated access to tracks, as well as crew and locomotive changes at borders.

However, the enthusiasm for the freight freeways could easily evaporate once Mr Neil Kinnock, the transport commissioner, begins an assault on commercial structures.

A key element of his strategy includes bringing rules on state aid for rail in line with those for airlines. This would mean only large restructuring projects and subsidies for public service networks would be entitled to assistance. "The nuclear option would be to apply wholesale all the rules on state aids. But we don't want to do that. Not yet anyway," a Commission official said.

The intention is also to force rail companies to put their infrastructure and operational divisions under separate and distinct managements. "There has to be some independence between those running the services and those owing the track. Otherwise newcomers have no chance of breaking into the market," an industry official said.

The Commission also wants to tackle the staunchly national character of EU rail companies. Mr Kinnock will have to consider whether to apply three-year-old laws on public procurement which cover the water, energy, transport and telecommunications sectors. These set down the principles of non-discrimination between suppliers as well as procedures for open tenders. Competition rules which forbid discrimination by dominant suppliers could also be enforced.

The commissioner wants governments to write off debts accumulated before 1993. However, as a *quid pro quo*, rail companies would have to be run on a commercial basis. "The idea is to get away from the debt culture. This should be attractive to many member states trying to meet the criteria for joining a single currency," the EU diplomat said.

Brussels admits the changes will cost jobs, but argues that opting for no change is a recipe for disaster. It has proposed that EU social funds be used to ease the impact.

Opposition to the plans is widespread. Strongly unionised rail companies such as the Belgian SNCB/NMBS and the French SNCF are opposed to radical restructuring.

"There is no need to cut jobs, to make a revolution. We are competing against an uncontrolled sector where the market is totally free and where users do not pay the proper price for the service. We do not need this kind of cowboy competition," said Mr Hugues de Villele, secretary general of the EU federation of transport workers' unions.

Mr Kinnock can expect strong backing from Sweden and Britain, while countries such as Germany, Denmark, Italy and the Netherlands are likely to support moves towards greater liberalisation. Others, such as France, Spain, Portugal and Belgium, could well balk at the more radical measures.

"There is a lot of opposition to most of the ideas. As things stand now there is not much room for optimism," said an industry analyst. But, he added: "Don't write Mr Kinnock off. He can be very persuasive."

Move to computers defeats Swiss army

By William Hall in Zurich

The head of the Swiss army, which has not fought a war in 500 years, is stepping down following accusations that some of his top-secret battle plans may have fallen into enemy hands.

General Arthur Liener, 60, who has commanded Switzerland's 400,000-strong part-time army for four years, has announced he will retire at the end of 1997, a year earlier than planned.

No reason has been given for his departure but it is believed to be linked to the forthcoming publication of the findings of an investigation into recents events at Switzerland's ministry of defence.

The probe followed concern two years ago about the behaviour of Colonel Friedrich Nyffenegger. He had been charged with overseeing the army's first foray into the computer age – putting all the information needed by Switzerland's military high command on to CD-Rom computer discs.

Until then the information, which ranged from troop deployments to battle plans, had been updated every year in two large books which were issued to every senior officer.

The CD-Roms were intended to cut costs and speed communication.

The project seemed to be proceeding with typical Swiss efficiency until Col Nyffenegger's jilted wife informed the authorities that some of her husband's CD-Roms may have fallen into the wrong hands. As any soldier knows, losing one's equipment can be a court-martial offence.

At last count, Switzerland had 148 fighter jets, 730 combat tanks, 300 anti-tank guns, 1,800 mortars and 400 CD-Roms containing the secrets of the army's top brass.

There were 100 red CD-Roms with the most secret information, and another 300 with less sensitive information.

When the authorities swooped on Col Nyffenegger's home they found two of the red CD-Roms alongside his other CDs in his music collection. The hapless colonel was sent to jail and the army has still not been able to account for the whereabouts of all its CD-Roms.

The army has played down the importance of the loss to the country's national security. Battle plans have been changed and a new set of CD-Roms have been issued.

But the damage to public confidence has been considerable and conflicts with the stance of Mr Adolf Ogi, army minister, who is a strong advocate of the motto that there should be "no shadow of a shadow" in the affairs of his department.

Nevertheless, Gen Liener's decision to take responsibility for the misdeeds of his subordinates has led to considerable sympathy.

The Neue Zürcher Zeitung newspaper, which has strong army ties, argued in an editorial yesterday that if politicians were to follow the general's example and resign whenever there was a problem it would be a "fatal development".

Paris may sell part of GAN to private investors

By Andrew Jack in Paris

The French government is considering allowing a number of private sector investors to buy some of its shares in the state-owned GAN insurance group as part of a move to recapitalise and sell it off as soon as next year.

The initiative has the implicit support of the European Commission, which mentions the option in its official judgment on a previous recapitalisation of GAN carried out by the government last year, a draft of which has been obtained by the Financial Times.

The Brussels judgment also sets conditions which are likely further to fuel the controversy around the sale of the CIC banking group, which is controlled indirectly by the state through GAN, and which is currently being privatised by a trade sale.

The document rules that an injection into GAN in 1995 of shares the government held in both the petroleum group Elf Aquitaine and in CIC should be considered as a form of state aid provided to the insurance group to the value of FFr2.9bn ($570m).

However, it concludes that the aid was justified under European competition rules because it met the legal requirements of a restructuring of a company in difficulty.

GAN last week reported losses of FFr1bn for the first half of the year, on top of heavy losses in 1994 and 1995. These were largely related to its heavy exposure to loans in the property sector incurred by a subsidiary of CIC which is now managed directly within the holding company.

The Commission stresses in its judgment that its approval of the FFr2.9bn in French government aid is conditional on a restructuring of GAN and, among other factors, on the partial privatisation of CIC.

It also says it "understands" that the CIC sell-off needs to respect a long-standing partnership in which CIC sells GAN's insurance products in the bank's branches.

However, there is growing pressure on the Paris government to postpone or abandon the CIC sale, in view of fears over both the low value of the bids and the fact that the two potential purchasers are rival French banks – Société Générale and Banque Nationale de Paris – which may pull CIC apart and jeopardise its links with GAN.

GAN itself is believed to be pushing for the sale of CIC to be postponed until after its own privatisation has taken place, and after it has received a recapitalisation of FFr5bn-FFr6bn. Some of the latter it believes could be sought from a core group of private sector investors who would take the majority of the capital. It favours a subsequent sell-off to the general public of the remaining shares.

The Brussels decision also criticises the French government for the way in which the recapitalisation of GAN was carried out. It says it learnt about the rescue plan last year only by reading newspaper reports, and that it was forced to make repeated requests over many months for further information before being able to analyse the rescue.

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Romanians spoilt for choice in polls

Virginia Marsh watches the final TV debate between 16 presidential hopefuls


President Ion Iliescu: seeking third term

Romania wrapped up a bitter two-month election campaign last night with a tense marathon television debate between the 16 candidates in Sunday's presidential elections.

Voters, who will also elect a new parliament, faced a dazzling choice. As well as Mr Ion Iliescu, the incumbent, the debate included a faith-healer, a fiery nationalist who was one of the late Nicolae Ceauşescu's favourite poets, the car owners' party candidate, an ethnic Hungarian lawyer, a retired general and a heart surgeon called Ioan Pop de Popa.

The debate, broadcast live from the deposed dictator's vast Palace of the People, also saw a rare meeting between Mr Iliescu, who is standing for a third term, and Mr Petre Roman, Romania's reformist first post-Communist prime minister. The two men worked together closely in the aftermath of Ceauşescu's violent overthrow but have been the bitterest of enemies since Mr Roman's government was toppled by rampaging miners in 1991.

Despite the many candidates, however, opinion polls suggest about three-quarters of voters will opt for representatives of the three main groups in both contests – a sign that the fledgling democracy's fractured political scene is maturing.

While Mr Iliescu is ahead in the presidential polls, his Party of Social Democracy (PDSR), a leftwing group dominated by former Communists, is trailing the opposition Democratic Convention, a centre-right coalition, in the parliamentary race. Mr Roman's technocratic Social Democratic Union is in third place in both contests but hopes to join a Convention-led government.

Several small parliamentary parties, including the extreme nationalists and neo-Communists which have supported the PDSR's four-year minority government, are hovering around the 3 per cent threshold needed to enter the new legislature.

In last night's debate candidates were limited to answering questions and discussing policy, in contrast to a campaign marked by insult-swapping, alleged dirty tricks and controversy over organisation of the elections.

In aggressive video-clips, Mr Iliescu's campaign has accused Mr Emil Constantinescu, the Convention's candidate, of being a closet monarchist intent on returning farmland to large landowners. Mr Roman, who is half-Jewish, has faced anti-Semitic attacks while Mr Iliescu has been heckled and booed by factory workers who were once solidly behind him.

Mr Iliescu is expected to face Mr Constantinescu, an academic, whom he defeated easily in the last elections four years ago, in what is likely to be a tightly contested run-off for the presidency on November 17.

EUROPEAN NEWS DIGEST

Brussels clears Telekom offer

The European Commission yesterday cleared a controversial plan by Germany's soon to be privatised Deutsche Telekom to offer its business clients rebates of up to 40 per cent. In a statement, Mr Karel Van Miert, the competition commissioner, said the agreement was conditional on the conclusion of retroactive network access agreements between Deutsche Telekom and its competitors by December 31, and on the German post and telecommunications ministry taking additional regulatory steps required for competitive network access in the domestic market before that date.

The rebate plan had been subject to complaints by competitors, which include WorldCom of the US as well as subsidiaries of Veba, Viag and RWE. They claimed that Telekom and the ministry had failed to fulfil the strict terms laid down by the Commission in June for the rebates to be allowed. *AP, Brussels*

Telecoms investors may quit Ukraine, Page 3

Telefónica share warning

The share value of Telefónica, the Spanish telecoms operator due to be fully privatised early next year, could collapse unless the government speeds up liberalisation of the sector, Mr Juan Villalonga, its chairman, said yesterday. He warned that any delay in opening Spain's market by the January 1, 1998 deadline agreed by most EU countries would prompt the European Commission to bar Telefónica from membership of Unisource, an alliance of smaller European operators.

A Unisource ban would have an immediate effect on Telefónica's share price. "It could influence [the price] by 15-20 per cent," he said.

The government plans to sell its remaining 21 per cent stake in Telefónica early next year in a disposal that would raise Pta505bn ($3.9bn) at current market prices. The share price, which is trading close to record levels, lost Pta20 yesterday to close at Pta2,560. A 20 per cent drop in its share value would knock close to Pta100bn off what the government hopes to raise through the privatisation. *Tom Burns, Madrid*

Italian growth forecast cut

The Bank of Italy yesterday offered a far more cautious estimate of economic growth next year than the 2 per cent projected by the centre-left government. Its bi-annual economic bulletin says the sheer size of the budgetary measures due to be introduced next year are bound to have a negative impact on growth. It expects gross domestic product to be "about half" that predicted by the government.

The bank confirms the view of most economists that depressed consumption and slack domestic demand, against a background of weaker export markets, will restrict this year's growth to under 1 per cent.

The two-stage 1997 budget, due to be voted on in the chamber of deputies this month, aims to find L62,500bn ($41bn) in spending cuts and fresh taxes. This is equivalent to removing 3 per cent of gross domestic product from the economy. The bank further points out that additional corrective measures will be required in 1998 to the tune of L27,000bn.

For the first time in many years, the bank is more sanguine about inflationary trends. It says inflation next year should be below 3 per cent, although wage demands would need to be moderated. *Robert Graham, Rome*

Stet chief 'investigated'

The head of Italy's state telecommunications holding, Stet, and the third highest official in the tax police were yesterday placed under investigation in a corruption probe, state television reported, quoting judicial sources.

It said magistrates in the north-western town of Aosta alleged that Stet managing director Mr Ernesto Pascale was involved with a secret group set up to try to influence public and government appointments.

Tax police chief of staff Nicolo Pollari was reported to be under investigation as an accessory. The deputy head of the tax police, Michele Mola, was recently placed under investigation for the same offence, Italian media reported. Magistrates allege that both tax police officials tipped off a member of the separatist Northern League party that his telephone was bugged.

Mr Pascale issued a statement saying: "I can't even imagine what hypothesis this investigation is based on. There's never been anything secret in my life and I am sure that this can be demonstrated as quickly as possible." Mr Pollari called the investigation "bewildering". *Reuter, Rome*

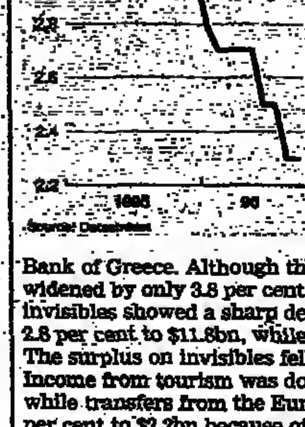
French film director dies

Marcel Carné, director of the French film classic *Les Enfants du Paradis*, died yesterday aged 90. Carné pioneered the French "film noir", winning widespread acclaim in the 1930s and 1940s, and worked consistently for three decades after the second world war. He won widespread acclaim for *Quai des Brumes* and *Hotel du Nord* in the 1930s and 1940s, but will probably be remembered best for *Les Enfants du Paradis*, starring Arletty, Pierre Brasseur and Jean-Louis Barrault, which evoked the street life of Paris in the mid-19th century.

He was hit by the end of his partnership with scriptwriter and poet Jacques Prevert in 1947, and then by the arrival of the French "new wave" in the late 1950s which rejected his classical style of film-making. His post-war career was plagued by critical and commercial setbacks. "The last couple of films I made were not a success. I didn't want to become academic and dry," he said. *Reuter, Paris*

ECONOMIC WATCH

EU inflation at low level



European Union inflation in September remained at the record low level it reached in August, rising at an annualised rate of 2.3 per cent, Eurostat reported. In September last year inflation stood at 3.2 per cent. Nine of the 15 EU countries registered rates at or below 2 per cent, with Sweden performing best at 0.2 per cent and Greece worst with inflation of 8.5 per cent. *Reuter, Brussels*

■ Greece's first-half current account deficit jumped by 47.3 per cent to $3.15bn, according to the Bank of Greece. Although the balance of payments gap widened by only 3.8 per cent to $8.9bn, receipts from invisibles showed a sharp decline. Imports increased by 2.8 per cent to $11.8bn, while exports were flat at $3.8bn. The surplus on invisibles fell by 10.6 per cent to $5.7bn. Income from tourism was down 14.8 per cent to $1.4bn, while transfers from the European Union dropped by 8.3 per cent to $3.2bn because of the slow rate of disbursement of grants for infrastructure improvements. *Kerin Hope, Athens*

■ Finland's gross domestic product rose 2.1 per cent year-on-year in August.

■ Unemployment in Norway fell to a seasonally adjusted 3.6 per cent in October from 3.9 per cent in September.

Telecoms investments in Ukraine under threat

By Matthew Kaminski in Kiev

Two of the largest foreign investments in Ukraine are in jeopardy after the government last month raised tariffs and changed licensing requirements for cellular telephone operators.

The changes have hametrung plans by a joint-venture company called Ukrainian Mobile Communications (UMC) – formed in 1992 by Ukrainian Telecom, Deutsche Telekom, PTT Netherlands and TeleDanmark – and separately Motorola of the US to operate GSM cellular services in Ukraine.

The dispute highlights tha difficulties faced by foreign companies in Ukraine, which has attracted barely $1bn in investment since 1991, one of the lowest per capita figures in the region.

UMC ahareholders, at a meeting on Tuesday in Copenhagen, warned the company would rethink its $300m commitment planned over the next three years unless the Ukraine government honours what it claims is a binding promise made in a 1992 licence to award it a GSM frequency.

The Ukrainian cabinet moved yesterday to open up the lucrative gas distribution business next year under pressure from President Leonid Kuchma, writes Matthew Kaminski.

Mr Kuchma implicitly criticised the current scheme, which gives two influential companies, United Energy Systems (UES) and Itera, a virtual duopoly, by telling Interfax-Ukraine news agency on Wednesday that the distribution market ehould become competitive.

The Ukrainian leader made the statement after a meeting with Mr Rem Vyakharev, the head of Gazprom, the Russian gas monopoly. It appears directed at Mr Pavlo Lazarenko, the prime minister. His position has been undermined by allegations that he personally benefits from his involvement with UES and other business interests.

The charges coincide with the growing influence of officials from Dnipropetrovsk, a large industrial city in eastern Ukraine, within the government since Mr Lazarenko took over in May. Both the prime minister and Mr Kuchma are from Dnipropetrovsk.

With an annual turnover of $5bn, UES this year won a government mandate to handle 25.2bn cubic metres of natural gas, nearly half the 58.13bn cubic metres imported each year. Itera supplies 18.46bn cubic metres.

Motorola, which got its GSM licence through a joint-vanture with Ukrainian Radio Systems (URS) that was formed last year, has plans to invest $500m over the next 15 years.

UMC officials are alleging the Kiev government changed the rules in order to push out western competitore from the growing mobile telephone business.

Neither UMC nor URC were allocated GSM frequencies on time in September.

Instead, the Ukrainian cabinet said all mobile telephone operators must renew their licences before the new year and set tariffs for radio-frequency use several times above regional standard.

Mr Martin Dirks, general director of UMC, said the company had already made a $90m investment – $12m alone to test out GSM technology – in a risky country on the assumption that the GSM freqnency would be allocated and reasonable rates set. UMC had a local monopoly until last year. "I hope the Ukrainian government understands that when investors lose trust in a country it will have serious repercussions on its image abroad," he said.

Ukrainian officials counter that the government has no contractual obligation and can enact new licensing procedures.

"We don't have a government guarantee signed by [President Leonid] Kuchma," said Mr Gregory Perchatsch, Motorola'e country manager. "But we have promises that they would be allocated frequencies."

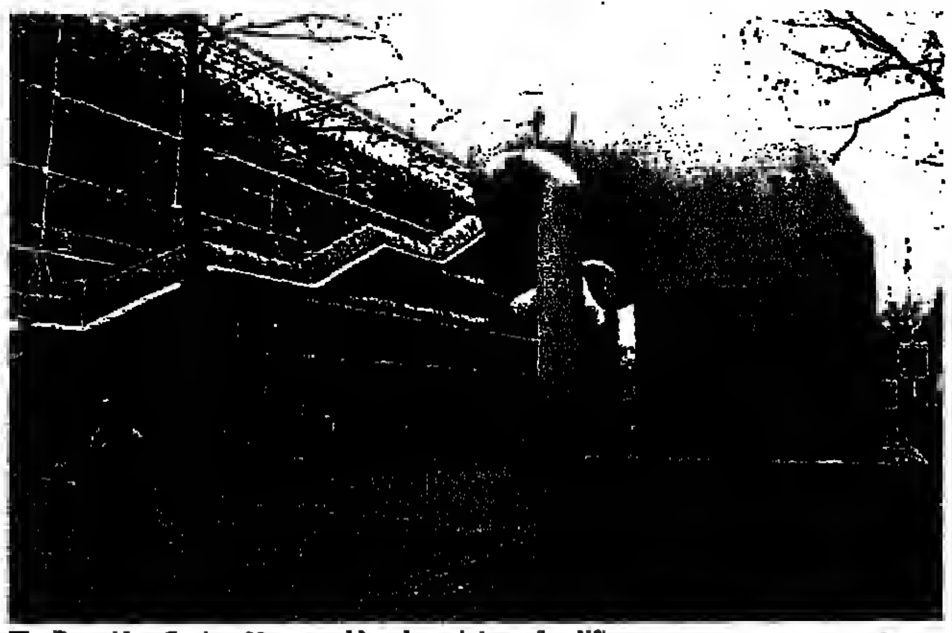
Two other companies, BK Telekom of Yugoslavia and Kiev Star, a Ukrainian company, last waek were awarded GSM licences. The frequencies may now be awarded by another means, such as a tender.

UMC officials said this further undermined the initial agreements. "There'a only room for two" GSM operators, said Mr Perchatsch.

Famous Paris cultural attraction to close for 2 years

Centre a victim of its own success

By Andrew Jack in Paris



The Pompidou Centre, 20 years old and receiving a facelift

Nic Harman

Just 20 years after it was opened, one of Paris' best known cultural attractions is to largely close down or transfer most of its activities to allow for wide-ranging renovations due to last for two years.

The Georges Pompidou centre, at the heart of the French capital and one of the most visited tourist sites in Europe, is to launch an ambitious reconstruction programme set to cost FFr440m ($86m).

The changes should offer relief to visitors to the centre who in recent years have faced the prospect of frequent break-downs in its moving escalators, and the sight of peeling paint and wideapread rust on its famous multi-coloured external pipework.

They come at a time when a number of Paris' leading public monuments constructed in the last few years are running into difficulties, including the new Bastilla opera house and the Grande Arche at La Défense to the west of Paris, both of which are suffering from cracking marble on their façades.

The repairs stand in stark contrast to the apparent durability of many of the city'e longer established buildings, such as the Comédie Française, which has lasted more than 200 years without more than modest periodic facelifts.

However, officiala unveiling the Pompidou's plans in Paria yesterday were at pains to stress that the modifications to the centre were in no way a criticism of the original design, and that structurally the building was entirely solid. Their aim was to increase the internal space available.

Mr Guillaume Cerutti, director general of the centre, said: "In many ways, tha building is a victim of its own success." He pointed out that in place of the original estimates of 5,000 visitors a day, there were up to 25,000, with an average of 8m a year or 160m since it opened in 1977.

He also stressed that during tha renovations – the pace of which has been accelerated – one large exhibition space, as well as the external stairway offering panoramic views across Paris, will remain open, with the library moving nearby.

The plan is to ensure that the centre will re-open ahead of the millennium, when the buge digital clock counting down the seconds to the year 2000 which stands at its entrance will have theoretically reached zero on its counter.

Spanish television market engages in bitter political battle

Tom Burns on why potential global partners are closely following developments

Global television groupe seeking to secure alliances in the Spanish market are being presented with a fractured industry that pits big domestic players against each other in a poisoned political atmosphere.

At stake is the launch early next year of digital satellite services with local and Latin American partners which are estimated to generate a free cash flow of Pta36.6bn ($285m) in Spain and earnings of Pta21.4bn on sales of Pta108bn at the end of 10 years.

These projections are based on the formation of one digital infrastructure serving close to 3m domestic subscribers. The income estimates are much higher for broadcasters and programming providers if the services embrace the Spanish-speaking world.

The problem is that two digital platforms are being planned. Aside from dampening profit forecasts, the rivalry has confused prospective partners. There is no feasible working arrangement at present so we are talking to everyone," said an executive of one US programming company.

The list of potential foreign players who are closely following Spanish developments is a long one. It includes US companies DirecTV, the digital broadcaster which is part of the Hughes Electronic Corporation, Time Warner, and Venezuela's Cisneros group, which is one of the world's largest producers and distributors of Spanish-language programmes, Mexico's Televisa network, the UK satellite company British Sky Broadcasting that is 40 per cent-owned by Mr Rupert Murdoch's News Corporation and Germany's Leo Kirch group.

One platform, due to start services in January, is being promoted by Sogecable, the broadcaster controlled by Grupo Prisa, the main domestic media company and the publisher of the influential top-selling newspaper El País. A second, which plans to begin operating in March, is being led by Telefónica, the national telecoms company that is 21 per cent state-owned and due to be privatised next year.

Telefónica announced yesterday that it had contracted relays with Hispasat, the Spanish satellite that it part owns together with other state-controlled companies, in order set up its digital infrastructure. "This is a strategic project for us," said Telefónica chairman Mr Juan Villalonga.

Two weeks ago Sogecable signed a relay deal with Astra, the French satellite system, and said its decoding equipment would be supplied by France's Canal Plus which is one of the Spanish broadcaster's biggest shareholders. In a clear bid to lead Spain's move into a new television business, Sogecable said it would make an initial investment of Pta50bn.

DirecTV, one of Sogecable's initial backers, was understood yesterday to be reassessing its alliance with Grupo Prisa in the light of Telefónica's aggressive bid to enter the sector. "We are conducting feasibility studies with Sogecable but there is no firm agreement," the California-based broadcaster said.

Ironically Telefónica and Grupo Prisa, which pioneered pay TV in Spain seven years ago with Canal Plus España, a network that has now some 1.5m subscribers, had signalled a far-reaching agreement early this year to jointly develop cable television. However, this arrangement fell foul of general elections in March that brought the centre-right Popular party to power replacing the Socialist party.

The political change ended what critics of Grupo Prisa claimed was the advantageous position enjoyed by left-leaning media group during the years of Socialist rule. When Mr Villalonga, a former investment banker and a school friend of prime minister Mr José María Aznar, was appointed by the new government to run the telecoms company, he abandoned the cable project and repositioned Telefónica into a Grupo Prisa rival for the digital business.

Mr Villalonga's supporters say the venture is an intelligent defensive move against foreign telecoms groups seeking a backdoor entry into Spain via Sogecable. But critics say he is spearheading a government crusade to keep the hostile Grupo Prisa out of the industry. They believe this overtly political battle will reduce the operator's investor appeal as it approaches full privatisation.

A last-minute advance appears to be bad news for Dole

Nowhere man Perot shows a late surge

By Jurek Martin in Boston

US ELECTIONS November 5

Late in the day, Mr Ross Perot, candidate of his own Reform Party, may finslly be making some waves in tbis year's presidential election, to be decided on Tuesdsy.

He has begun to nudge into double digits in some national public opinion polls, apparently benefiting more than Mr Bob Dole, the Republican candidate, from the scathing attacks both have launched against President Bill Clinton's ethical standards.

He has even challenged the president to an election eve debate on the acceptance by Mr Clinton and his Democratic Party of contributions from foreign sources.

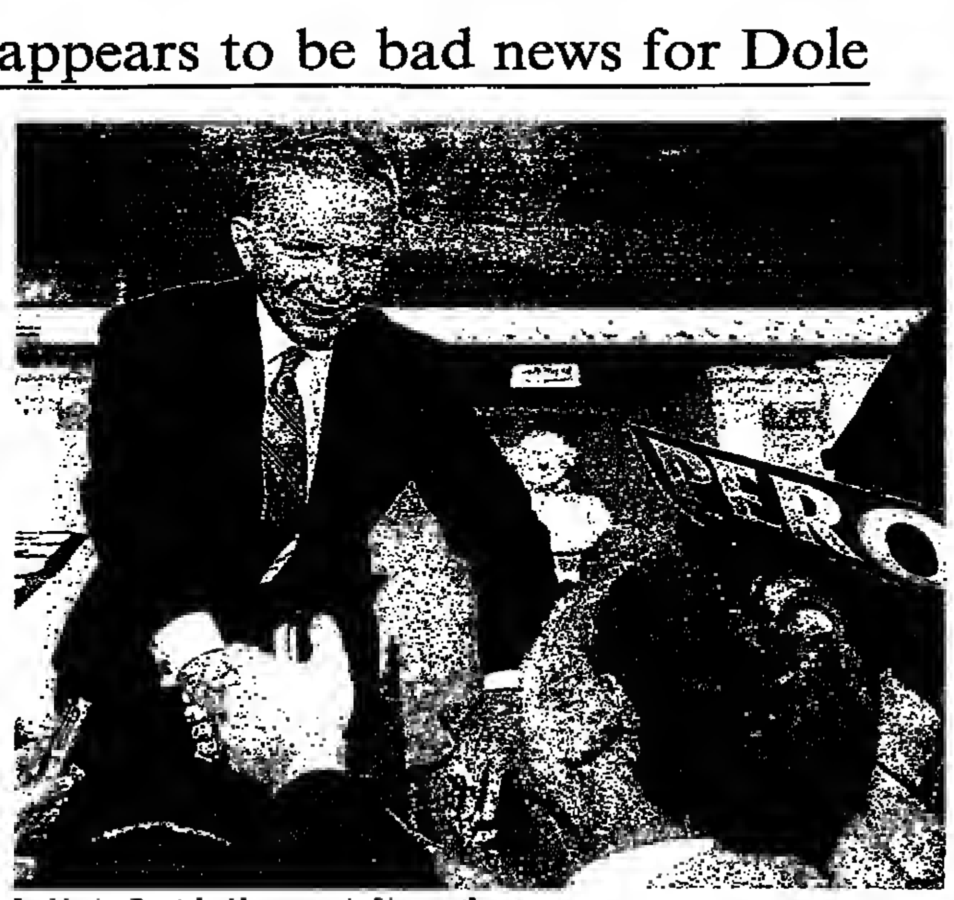
The White House politely declined the overture on the grounds that the president was otherwise engaged.

Mr Perot also inserted bimself into the widely watched Senate race in Massachusetts by coming to Boston to endorse Republican Governor Bill Weld, who is locked in the tightest of contests with Mr John Kerry, the incumbent Democrat.

His mini-surge in the polls to double the support of two weeks ago still brings Mr Perot to barely half the 19 per cent of the popular vote he took as an independent candidate four years ago.

But final pre-election polling then, giving him 12-14 per cent, underestimated his eventual appeal.

His advance appears bad news for Mr Dole, wbose mantra long has been thst a vote for Mr Perot is, in effect, a vote for Mr Clinton, especially in those states whera the two main contenders are close. Last week Mr Dole even unsuccessfully invited Mr Perot to withdraw from the race but got the back of the Texas billionaire's hand in response.



Lacklustre Perot doubles support of two weeks ago AP

In Massachusetts Mr Weld had appeared to have drawn level with Mr Kerry prior to their eigbth and final debate in Boston on Monday night. But a combination of the senator's arguments directed at women voters and the governor's relentless assault on his opponent's ethics seems to have helped Mr Kerry, who had re-opened a 6-point lead in a small sample Boston Globe poll.

Mr Perot's endorsement of Mr Weld was delivered in typical fashion. Giving a speech, he kept the governor waiting off stsge for a good hour while he laid into tbe "buge moral, ethical and criminal problems" facing Mr Clinton and the "rotten corrupt practices" in the money-raising techniques used by both parties.

But he finally described the governor ss s "doer" who "got rid of the red ink" in Msssachusetts, wbich nobody in Washington, he said, knew how to do.

Helms dies hard in North Carolina

Ageing political streetfighter looks odds on to win a fifth term in the US Senate

By Jurek Martin in Greensboro, North Carolina

He is 75 now and looks it. A heart condition has slowed him down, a bone disease has turned his long stride into s shuffle, be wears hearing aides in both ears and his complexion, once ruddy, appears waxen.

But it would be premature to assume that political mortality is necessarily catching up with Mr Jesse Helms, much as his legion of foes might wish it. They include American liberals, US trsding partners, any developing foreign country, especially thoss with regimes even slightly to the left of centre and, to the last bureaucrat, the state department in Washington.

Thay do not, however, constitute the electorate of North Carolina. Some doubts may remain but the odds are that on Tuesday he will be returned for a fifth term in tbe US Senate where he will again act as scourge of the left st home and overseas, enemy of foreign aid and sponsor of controveralal legislation, like the Helms-Burton act punishing foreign companies for trading with Cuba.

It is always instructive for students of politics to observe a Helms election. This time, as in 1990, he is opposed by Mr Harvey Gantt, former mayor of Charlotte, a successful architect, an energetic and fluent campaigner – and black.

His approach had been a little different from six years ago, wben Mr Gantt led early before being swamped hy a tidal wave of negative advertisements, many running close to the line of overt appeals to racial prejudice. Mr Helms won by 53-47 per cent, about tbe average for his victory margins from 1972 onwards.

His new campaign team, according to Mr Dan Gurley, political director of the state Republican Party, sought to portray a "kinder, gentler Jesse," right down to pictures with his grandchildren and much emphasis on the "statesman's" role he had assumed in Washington as chairman of tbe foreign relations committee. His own appearances were kept to a minimum and his speeches short.

But even with a lesd bordering on 10 points, the old Helms dies hard. Over the last week s new round of TV commercials has hit the air wavea, accusing Mr Gantt of taking advantage of "minority privileges" to win atate contracts for his architectural business.

"He's more subtle than he used to be," observed Mr Ned Cline, the veteran political commentator on the Greensboro News and Observer. "Thirty years ago, he would not have besitated to use the n-word."

Mr Gantt, in good form at s rally outside High Point this week, insists Mr Helms is going "negative" in order to avoid discussion of the real issues. Even Mr Gurley concedes "some debste" in Republican circles over the

Helms: age and disease have not seen him off

wisdom of a change in tack that has gone down poorly elsewhere in the country.

But Mr Helms always plays hard ball in elections. Alone of statewide candidates, he has refused to participate in an innovative, but controversial, experiment in issue-oriented "civic journalism" undertaken this year hy several North Carolina newspapers.

They took an extensive state opinion poll to identify voter concerns and sought to follow through by tilting their coverage, often pooled, to those deemed most important. Candidates were asked to submit to two long interviews on the issues, one early in the year, the second at the start of the campaign proper.

Mr Gantt agreed, if reluctantly, but not Mr Helms, never a friend of the press. At his only public appearance on Tuesday, on the edge of a vast Wal-mart parking lot in Sanford, he was hriefly besieged by reporters. "Why not sit down with us for just 20 minutes?" one local begged. "Why?" he replied and stepped into his bus. Naturally he has also refused to debate Mr Gantt.

It is a tactic that works in North Carolina, where the "liberal media," state and national, is held in unusual contempt. That sense, deftly stoked by Mr Helms, has been heightened by what the state generally considers an unconscionsble attack by the Clinton administration and its press "allies" on its aecond largest industry – tobacco.

No North Carolina politician intereated in winning takes on tobacco with impunity – and Mr Helms is its staunchest aupportar. Even popular Democratic Governor Jim Hunt, assured of re-election on Tuesday, talks of 260,000 jobs in tobacco and has filed soit against the administration's proposal to place the industry under the jurisdiction of the Federal Drug Administration.

It also helps Mr Helms that tbe population influx into his booming state – 700,000 since 1990 – has turned out to be more Republican than Dsmocrat. Mr Gurley claims his party hss gained 140,000 new registered voters in the last four years, while the Democrats have lost 70,000.

In 1994 that helped the state elect eight Republican congreasmen snd four Democrats, the reverse of the previous representation, and gavs Republicans control of the lower house of the local assembly for the first time.

Some of tbe newcomers, especially from the north, may find their new senator an unfamiliar breed of politician, almost an anachronism in matters of race, but that has been local sentiment for years. The North Carolina truism is that 40 per cent will back Mr Helms always and 40 per cent never, leaving elections decided hy the remainder.

So age and infirmity do not appear to work against Mr Helms. And after all, across the horder in South Carolina, Senator Strom Thurmond, 93, is tottering happily towards an eighth term.

California Latinos find their voice

By Christopher Parkes in Los Angeles

California's quiet minority – the Latinos who make up a quarter of the state's population – have found their voice. It will be heard in an unprecedented chorus in next week's presidential, congressional and state legislature elections.

A record 1.4m are expected to vote, 25 per ceut more than in the 1992 poll which brought President Bill Clinton to power. All but 20 per cent of them favour the Democrats, according to the Tomas Rivera Policy Institute, a regional think tank.

Their votes are prohably not critical in the main race, wbere latest samplings sbow Mr Clinton still handsomely ahead of Mr Boh Dole, but their 10 per cent share of total votes in the state represents a valuable resource for Democrats boping to regain control of Congress.

It is an even more powerful lever in Mr Clinton's party's efforts to regain control of the evenly divided state assemhly, where the Republicans control the balance of power through their occupation of the speaker's chair.

In the longer term, Latino advocates suggest, California's Novemher 5 voting patterns may clarify trends of national significance in a country which in 10 years will see citizens with Latin American origins or ancestry displace African-Americans as the country's largest minority.

According to Mr Fernando Guerra, an academic analyst from Loyola Marymount University, Latino support is now more clearly in the Democrat camp than at any time since 1976 wben the group's voting patterns were first monitored. He calculates at least 40 city councils in the state are mostly Latino.

A record 1.4m Latinos are expected to vote and 80% favour Democrats

For years, witb exceptions such as the stoutly Repuhlican Cuban group, California's Latino vote has sbowed few distinct political tendencies despite the innate conservatism of a religious, hard-working and socially introspective community.

In the past, the turnout has tended to under-represent tbe group. But now, grassroots issues and candidates have emerged whicb may serve to galvanise this reticent slice of the electorate.

Democrats have done relatively little actively to court support. Rather tbey have found votes driven in their direction by leading Republicans, including Mr Pete Wilson, the state governor, and Mr Bob Dole, the Republican presidential challenger, who have strongly supported initiatives on issues widely perceived as anti-immigrant.

These include opposition to bilingual education, a looming state referendum on a proposal to end affirmative action to benefit minority students and workers, and existing measures to exclude illegal immigrants from public education and health services.

Mr Jesus Silva Herzog, the Mexican ambassador in Washington, echoed widespread resentment when he said the presidential campaign had generated an "anti-immigrant atmosphere, with a certain flavour of being anti-Mexican."

Another proposal on next week's Californian hallot sheet, to raise the state's minimum wage, is also expected to bring out a higher proportion than usual of Latinos.

In one rural area, widely touted as the make-or-break seat for Republican control in the Sscramento assembly, Latina Democrat Ms Lily Cervantes faces the Republican incumbent, Mr Peter Frusetta. Ms Cervantes lost the race last time by 700 votes, since when 5,000 Latinos have registered as Democrats.

But most eyes are on an apparently uneven struggle developing in the 46th Congressional district where half the populstion is Latino.

Here, in deeply conservative Orange County, another Latina Democrat candidate with no political experience faces a right-wing toughguy who set the tone by accusing his opponent of attending a gay-sponsored fund-raiser organised by "sodomites". Ms Loretta Sanchez, a Republican until 1992, has been lavisbed with financial support from gay groups, environmentalists, pro-choice advocates and supporters of every cause Mr Robert Dornan, the resilient Republican incumbent, so robustly denounces in Washington.

Polls say the race is too close to call. This suggests Ms Sanchez has quickly found substantial support among moderate Repuhlicans, hut the decisive portion of the vote could well rest in the hands of Latinos.

Brazil crash stirs safety fears

A Brazilian jetliner crashed into a residential area of São Paulo yesterday, killing all 95 people aboard and raising new questions over the safety of air travel in the region, writes Jonathan Wheatley in São Paulo.

The death toll was expected to rise as firefighters searched homes struck and set on fire by the crash.

The Fokker F-100 airliner, operated by TAM, a domestic airline which recently expanded into international services, crashed shortly after taking off for Rio de Janeiro.

Witnesses said the jet clipped two small apartment buildings before crashing in flames into 10-15 houses. Buildings and cars were set on fire by burning fuel escaping from the aircraft after its first impact. Many residents had slready left home for the day.

Mr John MacDonald of Aviation Management Services in Miami said the increase in accidents in South America in the past two years reflected the growth in air travel in the region.

"With tbe number of flights increasing as it is, the rate of accidents is bound to go up," he said, adding that TAM was a modern airline with a good safety record.

Officials said the cause of the crash would not be known before the aircraft's two flight recorders had been examined.

Hard-pressed Mexico delays the start-up of private pension funds

By Leslie Crawford in Mexico City

The start-up of private pension funds in Mexico has been delayed for six months. Tbe move, coupled with backtracking over the privatisation of the petrochemical industry, has raised concerns about the government's sbility to deliver fundamental economic reforms.

Private pension fund companies, known as Afores in Mexico, were due to open shop in January 1997. However, the government obtained congressional approval this week to delay their launch until next July.

The official explanation for the postponement was that time was needed to design a new identification code for pension accounts, despite the fact that all working Mexicans already possess a social security number.

Some economists said the delsy would save the government a lot of money in 1997, a year in which Mexico will still be recovering from tbe deep recession of 1995. Mr Guillermo Ortlz, finance minister, has estimated the annual cost of Mexico's social security reforms at around 1 per cent of gross domestic product, or about $2.5bn.

This is because the government will have to continue paying for the pensions of 1m retired Mexicans after workers awitch their contributions from the state-run system to individual retirement accounts mansged by privste-sector fund administrators. Last week, Mr Ortiz said the cost of the reforms would open a budget deficit of 0.5 per cent of GDP in 1997.

The postponement of penaion reforms will delay Preaident Ernesto Zedillo'a gosl of raising Mexico's dismal domestic saving rate, which has made the country too dependent on foreign capital flows to finance economic growth.

Mexico's domestic savings rate fell to below 16 per cent of GDP in 1995, a level considered too low to spearhead significant growth.

Chile, which privatised its pension system 15 years ago, boasts an internal savings rate of 27 per cent of GDP as well as one of the highest growtb rates in Latin America.

The decision to postpone the launcb of privste pension funds has annoyed several financial groups which were looking forward to signing up customers in January.

Mr Juan Fernández Casas, director of an Afore joint-venture between Serfin, Mexico's third-largest bank, Citibank and the Chilean pension fund administrator Habitat, said yesterday: "The delay is not welcome from a business point of view; it will be an additional cost to our investment outlays."

Mr Fernández Casas said Serfín and its partners planned to spend an initial $70m to set up the pension fund management business, including the cost of hiring some 6,000 sales agents.

Other financial groups have announced similar outlays. Banamex and Bancomer – Mexico's two largest banks, have lined up foreign insurance companies Aegon and Aetna as partners in the pension fund business.

Banco Santander and Banco Bilbao Vizcaya of Spain have also expressed an interest in offering pension schemes in Mexico – a business which analysts estimate could be generating more than $17bn in savings by the turn of the century.

The Mexican currency showed signs yesterday of stabilising at around 8 pesos to the dollar, following a month-long slide in which the currency has depreciated by 6 per cent, Leslie Crawford reports from Mexico City.

On Wednesday, tbe spot rate for the peso closed at a historic low of 7.995 to the dollar. It weakened further on Thursday, opening trade at 8.0525 before rallying to close at 7.97 against the dollar.

Mexico's central bank has sought to stabilise the currency by increasing short-term interest rates, but the peso has not responded to a rise in the benchmark rate for 28-day treasury bills to almost 30 per cent from 23 per cent in early October. The peso's volatility has also scared off foreign portfolio investors: Mexico City's stock exchange index has fallen by 8 per cent in nominal terms since the high point of the year on August 27.

The peso's depreciation has not been accompanied by the panic which affected Mexico's financial markets last year, as most economists believe the currency's slide is temporary.

Mr Paulo Leme, a senior economist at Goldman Sach's in New York, believes the peso remains undervalued by about 13 per cent against the dollar. "The disturbances which have affected the peso are temporary," Mr Leme said. "The peso should continue to appreciate over the next 12 months."

Mexico's tight monetary policy, higher-than-expected oil revenues, and the gradual accumulation of international reserves were factors that ought to strengthen the currency, Mr Leme said.

Alfonsín begins come-back bid

By David Pilling in Buenos Aires

Argentins's former president Mr Raúl Alfonsín launched his push to be a candidate in the 1999 presidential elections during a rally at which he accused the Peronist government of "transforming Argentina into a colooy" and promoting a savage free-market system of "every man for himself".

Mr Alfonsín, 69, on Wednesday night proved that rumours of his political demise were exaggerated hy drawing a crowd of 30,000 supporters to a Buenos Aires football stadium. Adopting his famed rhetorical style, be said Argentins's economic policy was being decided in Washington, and that the government's sdoption of unfettered neo-liberalism was destroying jobs and regional economies.

Ostensibly to mark the anniversary of his 1983 electoral victory, which returned Argentina to democracy after seven years of dictatorship, the rally was aimed at resurrecting the former presidsnt's political fortunes. Mr Alfonsín wss last year replaced as leader of the Radical party by Mr Rodolfo Terrsgno after a disastrous 1995 presidential campaign.

IFC makes move into Vietnam

By Nancy Dunne in Washington

The International Finance Corporation, the private sector arm of the World Bank, this week announced its first foray in Vietnam's financial sector – the establishment of a leasing company to enable small and medium-sized companies to procure capital goods.

On the surface the $15m loan and $750,000 equity investment looks modest. However, tha corporation has been promoting leasing as ona of the quickest, cheapest and most flexible ways of supporting business in emerging aconomies, where businesses desperately need machinery, office and plant equipment.

The IFC is planning to sign a joint venture deal on November 12 to set up the first leasing company in Egypt.

The joint venture partners are tha National Bank of Egypt, Commercial International Investment Company and Orix Corporation of Japan and Orix Leasing Pakistan. Orix has been working actively with tha IFC to introduce leasing around the world.

The new Vietnamese company, Vietnam international Leasing Company (VILC), is expected to write leases of $25,000-$30,000 for smaller or micro anterprises and $100,000-$150,000 for medium-sized companies. IFC says VILC will have "a strong impact on Vietnam's financial sector by extending and improving credit delivery and introducing new financial products to tha local market to encourage capital formation and investment."

It will be based in Ho Chi Minh City and initially serve the surrounding region.

IFC has been working closely with governments, advising them on leasing regulations, recruiting sponsors and technical partners and investing in new leasing companies.

In Vietnam IFC launched a technical assistance operation in 1991 and helped officials develop a legal framework for licensing and regulation.

An IFC paper, issued in August, said one-eighth of the world's private investment was financed through leasing. Its share is soaring; in some countries it provides as much as one-third of the private investment.

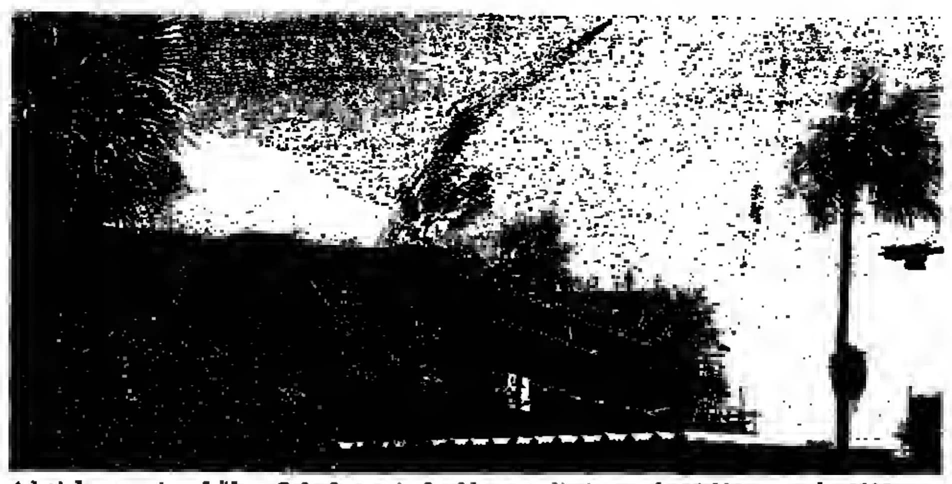
IFC has helped set up leasing companies in over half of the developing countries. In August it provided $5.6m in financing to help establish Uzbek Leasing International, the first specialised leasing company in Uzbekistan.

The corporation also helps leasing companies, in which it has equity, to expand. Last March it guaranteed a local currency loan of $3m equivalent for the Industrial Development Leasing Company of Bangladesh, established in 1986.

IFC's involvement allows the company to harrow locally for a longer period than otherwise would he possible.

IFC's first leasing venture was in 1977 in Korea. The Korea Development Leasing Corporation is now the world'a fifth largest leasing industry.

Cuba seeks to board tourist bandwagon



A hotel nears completion. Cuba hopes to double capacity to nearly 50,000 rooms by 2000

Less than two months before the arrival of its first foreign guests, the new Gran Hotel at Cuba's premier tourist resort of Varadero still looks more like a building site than a four-star beach hotel.

Surrounded by scaffolding, raw concrete and construction debris, the hotel's Cuban manager, Mr Alexis Ferriol, smiles nervously when asked whether all will be ready to receive the first scheduled busload of tourists on December 15. "The hotel is already sold through tour operators," he said.

Built over a former holiday camp for Communist Young Pioneers – a sign of the changing times in Cuba – the Gran Hotel is an example of the frenzied but erratic pace of new hotel construction on the island, which desperately needs to maximise hard currency tourism revenues to help bolster economic recovery.

The communist government's strategy to transform Cuba into a big Caribbean tourist destination has produced a growing crop of joint ventures and management contracts signed with foreign hoteliers, mostly from Europe and Canada. Up to now these investors seem generally undeterred by US legislation aimed at curbing foreign investment on the island.

Following a rebuke from President Fidel Castro about the sluggish pace of hotel building last year, Cuban construction brigades are straining to complete a target this year of around 5,000 new rooms, more than a third of them at Varadero, 75 miles east of Havana. But although the pace has picked up, delays persist.

On tha less-developed eastern side of Varadero, a 12-mile beach peninsula on Cuba's northern coast, half a dozen new hotels, some still unsightly skeletons, are rapidly emerging from the tropical vegetation.

Tha hotel construction schedule was tight even before Hurricane Lili lashed Cuba with high winds and heavy rain on October 17 and 18. Although the bad weather disrupted work for a few days, Cuban tourist authorities reported with relief that big beach resorts such as Varadero, Cayo Coco and Cayo Largo suffered only minimum superficial damage which was quickly repaired.

Deputy tourism minister Miguel Brugueras said Cuba was maintaining its target to achieve a new record of 1m tourists this year. Tourist arrivals up to September totalled 715,800, nearly 38 per cent more than the same period last year, he added.

The government says it urgently needs to raise tourism receipts to even higher figures, not only to help finance economic recovery but also to offset a balance of payments squeeze caused by rising costs of essential imports and a downturn in world prices of more traditional exports such as sugar and nickel.

The Cuban tourism industry is seeking to lift 1995 gross tourism receipts of $1.1bn to $1.3bn this year. Most visitors came from Canada, Italy, Spain, Germany and France. These remain Cuba's main markets, in the absence of US tourists, barred from visiting by Washington's longstanding economic embargo.

Authorities in Varadero are moving to clear up the construction debris before the November start of the main tourist season.

Another sort of clean-up has already taken place. After declaring Varadero a special tourist zone, police launched a crackdown against hundreds of prostitutes who worked the resort. And following complaints from foreign hoteliers, they also shut dozens of private home restaurants and taxis and prohibited Cubans from privately renting out accommodation.

This accentuated Varadero's image as a kind of tourist "ghetto". But tourism has boosted local living standards by providing jobs and access to hard currency.

The new Gran Hotel belongs to Cubanacan, Cuba's biggest tourism corporation, which along with other Cuban companies has entered selective joint ventures and management contracts with foreign partners. These include Spain's Sol-Meliá group and Tryp Hotels, Germany's LTI-International Hotels, Delta Hotels of Canada, Italy's Venta Club, Golden Tulip of the Netherlands and France's Club Mediterrané and Accor.

"What do we seek from foreign investors? Fast growth, know-how, access to foreign markets and the use of internationally known names," said Mr Mario Sori, Cubanacan vice-president.

Foreign investor interest does not appear to have been seriously blunted by the US Helms-Burton law, introduced on March 12 and which threatens sanctions against companies judged to be "trafficking" in expropriated, formerly US-owned properties in Cuba.

In April, an Anglo-Dutch group, Vitol, signed a deal to help build a five-star hotel in Varadero. In July, a Canadian entrepreneur, Wally Berukoff, clinched a $400m deal to construct 11 hotels in Cuba.

More recently, another Canadian group, Journey's End, is understood to have agreed a similar big contract to refurbish, build and manage several hotels.

Spain's Sol-Meliá group, whose three joint venture hotels in Varadero are believed to occupy at least part of land once owned by the wealthy US Dupont family, says it has so far received neither claims nor sanctions under the Helms-Burton law. It is expanding operations, but two other Spanish groups, Poradores Nacionales and Occidental Hoteles, are reported to have halted investment plans.

Cuba's tourism development programme foresees doubling the existing 25,000 hotel rooms to nearly 50,000 by the year 2000, with an estimated overall investment of $2.7bn.

Pascal Fletcher

Brazil urged to pursue liberal measures

By Frances Williams in Geneva

Brazil's trading partners yesterday welcomed the country's overall progress towards economic stabilisation and a more liberal trading regime but raised a host of complaints over protectionist measures in specific sectors, notably the car industry.

Members of the World Trade Organisation concluded a two-day discussion of a WTO secretariat report on Brazil's trade policies and practices by urging perseverance with economic reform and resistance to protectionist pressures despite tha difficult adjustment problems caused hy radical economic restructuring.

The WTO report says unilateral tariff cuts and other trade liberalising measures introduced by Brazil in the early 1990s have been a key element behind its snbsequent economic gains.

However, moves since 1995 to restrict certain imports and support exports have made the trade system more complex and less transparent. Thesa "potentially trade-distorting measures" reflect "lapses in implementation rather than a policy reversal," the WTO suggests.

Tha report argues that Brazil's large current account and merchandise trade deficits may be due to an overvalued exchange rate following introduction of the Real Plan in mid-1994.

The plan, which cut inflation from 5,000 per cent in the 12 months to July 1994 to an estimated 10 per cent this year, has prompted large inflows of foreign capital.

The WTO report is particularly critical of Brazil's complex tariff structure and frequent tariff adjustments, which have not been improved by membership of the Mercosur customs union with Argentina, Uruguay and Paraguay.

It also notes an increased recoursa to anti-dumping and safeguard measures to keep imports out, including recent safeguard actions on textiles and toys.

Meanwhile, protection for the domestic car industry, estimated to be equivalent to tariffs of 250 per cent, has been stepped up despite Brazil's position as a large net vehicle exporter.

Japan and the US, backed by Canada, the European Union and Sonth Korea, have already brought formal WTO complaints against the new measures which give tariff breaks to domestic producers.

In August Brazil introduced low-tariff quotas for vehicle imports from Japan, Korea and the EU in a bid to defuse criticism – but the WTO complaints have not been withdrawn.

Global chip market 'will grow by 7.4%'

By Louise Kehoe in San Francisco

The global semiconductor market will grow by 7.4 per cent next year to $138.8bn, reversing a 10 per cent drop this year, according to the annual Semiconductor Industry Association forecast.

The US industry trade group said that world chip sales were expected to return to strong double-digit growth in 1998 and that world sales should top $200bn by 1999.

Although the annual forecast has seldom proved accurate, it is a reflection of rising optimism throughout the semiconductor industry following a year in which the market has shrunk for the first time in over a decade.

As recently as 1994, the global chip market was just over $100bn, so the 1999 forecast suggests a doubling in sales over a five-year period. "1996 is merely a blip on the industry's phenomenal growth record," said Thomas Armstrong, president of the SIA.

"Long-term prospects for the chip industry are still excellent because the world has a ravenous appetite for the electronic equipment that relies on semiconductors," he said.

"Over time, chips will become even more critical parts of the world economy than they are today."

In 1995, chip sales jumped 41.7 per cent. This year's market decline is largely a reflection of sharp declines in the prices of Dynamic Random Access Memory (D-Ram) chips, which account for about 20 per cent of the chip market.

D-Ram prices will continue to fall in 1997, the industry group said, although at a more moderate pace than over the past 12 months.

In contrast, sales of microprocessor chips, the brains of personal computers, are growing rapidly. 1996 sales will be up 17.5 per cent, to $16.7bn, and will rise hy 23 per cent next year to top $20hn, the industry group predicted.

Much of this rise reflects booming sales for Intel, the world's largest semiconductor manufacturer.

Industry executives noted that excluding Intel from the market data would produce a very different picture of the industry's health. Growth in microprocessor sales is expected to account for about two thirds of the total anticipated ssles growth in 1997.

US chip sales will rise by a modest 5.8 per cent in 1997 to $44.2bn, the industry group projected. The region will remain the world's largest chip market.

In Japan sales are expected to bounce back in 1997 with 6.6 per cent growth to achieve sales of $36bn.

The Asia-Pacific region, excluding Japan, is the fastest developing semiconductor market and is expected to overtake Japan as the second largest regional market by 1999.

Next year, Asia-Pacific sales are expected to rise by 11.6 per cent to almost $30bn.

European sales are expected to grow by 6.7 per cent next year to $28.6bn.

Europe currently represents about 20 per cent of total world sales.

WORLD TRADE NEWS DIGEST

Airbus A3XX engine deal near

Airbus Industrie, the European aircraft manufacturing consortium, is within days of signing memoranda of understanding to develop engines for its planned A3XX super-jumbo with Rolls-Royce of the UK and an alliance of General Electric and Pratt & Whitney of the US. Both R-R and the US consortium will be obliged to develop new engines to equip the four-engined jet. The engines will also be designed to power new "stretched" versions of the 747 jumbo planned by Boeing of the US.

An Airbus spokesman said: "We are talking to both the General Electric/Pratt & Whitney grouping and Rolls-Royce about the A3XX. We will be able to sign an MoU pretty soon."

Both groups are expected to base their engines on super-large engines designed to power the Boeing 777, a wide-bodied twin jet, and its Airbus rival, the A330.

Rolls-Royce is set to offer a new engine, the Trent 900, with around 84,000lbs of thrust. GE and Pratt have formed an alliance to jointly develop an engine for the Boeing aircraft, and are expected to offer the same power plant, or a derivative, for the A3XX. *Ross Tieman, London*

Investment into India boosted

India's Foreign Investment Promotion Board yesterday cleared 63 foreign investment proposals worth a total of $694m, sustaining a recent drive by the four-month-old United Front government to accelerate such approvals. The cleared projects include two in the consumer goods sector, one for Cadbury Schweppes, the drinks and confectionery group, to establish a 100 per cent owned soft drinks venture in Bombay, and another for Gillette, the US personal products group, to take a 49 per cent stake in a shaving blade project.

Clearance was also given to De Beers Consolidated Mines, the mining group, to take a 50 per cent share in a $15m diamond mining project. *Mark Nicholson, New Delhi*

EU transit system reprieve

A complete collapse of the TIR international transit system for lorry freight in Europe was narrowly averted this week when the two main German hauliers' associations were persuaded to continue operating the scheme after declaring their intention to pull out. However, the United Nations Economic Commission for Europe, which oversees the TIR convention, warned yesterday that the scheme would remain under threat without longer-term measures to combat growing problems of fraud and smuggling.

The German hauliers' associations, AIST and BDF, had said they would no longer honour TIR guarantees to pay customs duties because of delays and uncertainties in obtaining reimbursement from the International Road Transport Union (IRU) and international insurers. The decision was rescinded after negotiations with the insurers.

Under the TIR scheme, which has more than 60 members, loaded trucks are sealed and the TIR carnet allows them to pass national frontiers with the minimum of red tape. *Frances Williams, Geneva*

ADB aid for Bangladesh

The Asian Development Bank (ADB) had offered assistance to Bangladesh for a controversial plan to purchase electrical power from India, government officials said yesterday. Bangladesh, suffering a big power shortfall, is considering huying electricity from India as a stand-in measure to boost its power supply.

Government officials said the offer was made by a mission from the Manila-based ADB that visited Bangladesh this week to review progress of bank-funded programmes. The main opposition Bangladesh Nationalist party (BNP) and some fringe groups, however, have strongly opposed the idea, arguing it would make Bangladesh dependent on India for a kay commodity – alectricity. Energy Minister Nooruddin Khan told a seminar this week that the country's demand for electricity would rise to 3,000 MW by the year 2000 and 4,600 MW by 2005. *Reuter, Dhaka*

US sanctions threat angers Malaysians

By James Kynge in Kuala Lumpur

Malaysia, whose national oil company faces possible US sanctions for investing in Iran, yesterday said that it would use "international forums" to challenge Washington's threat to impose penalties on companies investing in the Islamic state.

"We are a sovereign nation... We will not submit to US dictation," Dr Mahathir Mohamad, the prime minister, said.

Mahathir: 'will not submit'

The US has threatened to impose sanctions under the Iran-Libya Sanctions Act, passed in August, on companies that invest more than $40m a year in the oil and gas sectors of the two countries.

Petronas, Malaysia's state oil company, has agreed to take a 30 per cent stake in two oilfields in Iran. The total investment required to develop the two fields was estimated at $600m.

Although Petronas has not made public the exact amount of its proposed investment in Iran, analysts estimate it will exceed the ceiling set by the US.

Malaysian officials have tried to play down Petronas' involvement in Iran but the issue was re-ignited this week by comments by Mr Gregg Rickman, legislative director at the office of US Senator Alfonse D'Amato, who said the Malaysian company should face sanctions.

Ms Rafidah Aziz, Malaysia's minister for international trade and industry, told reporters yesterday that Malaysia would question Washington's right to take action against companies on the basis of what they did in third countries.

"This is not an issue of Petronas, but a matter of principle," Ms Rafidah said. "The US has no right to impose extra-territorial jurisdiction on other countries."

Ms Rafidah added that Malaysia would raise the issue at the Asia Pacific Economic Co-operation (Apec) summit in the Philippines this month. The issue may also be raised at a World Trade Organisation (WTO) meeting in Singapore in December, she said.

The WTO meeting is alresdy expected to be the scene of heated exchanges because of Washington's insistence that social and labour reform should accompany trade liberalisation. Washington argues that east Asia's rules on wages and labour give some regional countries unfair cost advantages in trade.

The ringgit, Malaysia's currency, dropped slightly against the US dollar yesterday partly because of fears of worsening relations over the Iran sanctions issue, dealers said.

HK doubts raised over immigration row

By John Ridding in Hong Kong

Retirement is supposed to bring a more peaceful life. But that is unlikely to be the case for Mr Laurence Leung.

The Hong Kong director of immigration has become the centre of speculation since he resigned suddenly from his post this summer. Controversy about his departure, and claims of a cover-up, have prompted the establishment of a select committee in the legislature to examine the case. The first meeting will take place next week.

For the government – which has trumpeted its improved transparency and implemented political reforms which created Hong Kong's first elected legislature – the affair threatens an uncomfortable scrutiny. Pulling down the shutters could set a troublesome example as the territory prepares to return to Chinese sovereignty in July next year amid fears of reduced accountability in the administration.

Sensitivity is increased by the importance of immigration issues ahead of the handover. With the government stepping up efforts to secure approval from diplomatic partners for visa-free access for holders of the territory's post-1997 passports, the probe comes at an awkward time.

In comments made earlier this month in the Legislative Council, Mrs Selina Chow, a legislator from the pro-business Liberal party and a member of the select committee, said it was essential that allegations he addressed. "Unlesa the matter is cleared up this will be damaging to the administration and to Hong Kong." While the 10 legislators pursuing the case remain guarded on details of the affair, attention has focused on Mr Leung's relations with China and reports he may have passed information about the British nationality scheme to mainland officials.

The scheme, implemented after Beijing's bloody suppression of pro-democracy demonstrations in 1989, offered passports to 50,000 prominent Hong Kong residents and their families. Beijing demanded, unsuccessfully, that it be given information on civil aervants included in the scheme. Any leakage of names, it is feared, could have a damaging effect, particularly if information included names of unsuccessful applicants.

"Instead of boosting confidence it would have the opposite effect," said someone involved in lobbying for the scheme.

Using parliamentary privilege in the session called to vote on the establishment of a select committee, Mrs Chow also cited reports that information on Chinese dissidents in Hong Kong might have been passed across the border.

The government has dismissed such claims. "Fanciful speculation," said Mr Lam Woon-kwong, secretary for the civil service. Rejecting the view that public interests are involved he has rigidly maintained the official line that Mr Leung departed for personal reasons with mutual consent between employer and employee.

Such a solid stance, however, has failed to dissuade Hong Kong legislators. "The circumstances were very unusual," said Mr James To of the Democratic party, referring to the fact that the usual notice period was waived for Mr Leung. He added that the government sought to dissuade legislators from pursuing the issue.

Intrigue was fuelled by the fact that Mr Leung's departure was accompanied by the tersest of statements and without any customary praise. Pressed to commend the former immigration chief, Mr Chris Patten, the governor, said merely that "he worked for many years for the Hong Kong government". Mr To and his colleagues pledge to press until more information is revealed. But they face some difficult obstacles.

Under section 14 of the Legislative Council's powers and privileges ordinance, officials can refuse to testify, with a decision on whether they must ultimately resting with the attorney-general. Perhaps more significantly, the governor's assent is required for witnesses to give evidence relating to the security of Hong Kong.

That, said one committee member, might obstruct investigations. But, she argued, it would also fuel suspicions. "You cannot claim personal reasons are involved and then turn around and say it is a matter of security."

IMF deal a boost for Bhutto

By Farhan Bokhari in Islamabad

The successful conclusion of talks between Pakistan and the International Monetary Fund to resume lending under a $600m standby loan is the first bit of good news in months for the beleaguered government of Prime Minister Benazir Bhutto.

The news boosted the Karachi stock market, with the 100-share index rising 22.05 points, or 1.53 per cent, on the back of the IMF agreement.

Antonio Furtado, IMF mission chief (left), and Naveed Qamar, Pakistan's new finance minister, yesterday Reuter

The new finance minister, Mr Naveed Qamar, who was appointed this week after Ms Bhutto gave up the portfolio which she has held since coming to power three years ago, said: "This welcome development should put an end to the speculative behaviour of some vested interests against the economic well being of the nation."

Mr Antonio Furtado, who led the IMF team in Islamabad, said the resumption of the standby loan could be followed by reviving a extended structural adjustment facility (Esaf) next year, if Pakistan met all the performance targets. Pakistan concluded a three-year $1.5bn Esaf with the IMF that began in February 1994, but payments were suspended a year later because Islamabad failed to achieve many targets. On the stand-by loan, the Fund is likely to release two delayed tranches, worth about $80m each, "as soon as humanly possible".

The Fund's decision to suspend the loan after what it regarded as Pakistan's unsatisfactory budget in June had triggered widespread economic anxiety. Foreign exchange reserves have plummeted to $700m from $1.7bn in June – enough for 3-4 weeks' imports – while the rupee has been devalued twice in recent months, mostly recently by 7.86 per cent last week.

In response to IMF pressure, the government introduced earlier this month an emergency austerity budget, which included spending cuts and a 10 per cent increase in oil product prices. The government pledged to cut the budget deficit to 4 per cent of gross domestic product, though analysts consider this ambitious.

In spite of Mr Qamar's optimism yesterday, there remain doubts within the IMF and the opposition whether the government will be able to press ahead with the most unpopular components of its budget. These include a farm income tax which has angered the politically powerful agricultural landowners' lobby.

China rejects Wang critics

By Tony Walker in Beijing

China said yesterday the sentencing of a prominent dissident to 11 years' jail had nothing to do with human rights and was strictly a legal procedure.

"The trial of Wang Dan is entirely a Chinese legal procedure carried out in accordance with the law," said Mr Shen Guofang, the foreign ministry spokesman. "It has no connection with human rights or other issues."

Mr Wang's sentencing has drawn strong protests from western governments and international human rights organisations. He was jailed for allegedly seeking to overthrow the government – a crime which carries the death penalty.

His family said he would appeal, but it is extremely rare under the Chinese justice system for judgments to be overturned or for sentences to be commuted.

"We are angry he received such a heavy sentence even though he was innocent," said Mr Wang Xianzeng, Mr Wang Dan's father. "Wang Dan said he wants to appeal. He feels everything that he has done has been above-board... it was all for China's democratisation."

Mr Wang's harsh sentence deals a further serious blow to China's flickering dissident movement. Beijing has rounded up leading dissidents systematically over the past year in an apparent effort to silence criticism.

China yesterday also launched a strong attack on western journalists, accusing foreign reporters of lacking an understanding of Chinese conditions and engaging in biased reporting. It compared the present generation unfavourably with Edgar Snow, the American reporter who recorded early stages of the Chinese revolution.

"In his reportage, Edgar Snow wrote exactly what he witnessed," said the official China Daily. "What the western media is doing is the opposite of what Edgar Snow did 60 years ago.

"One may ask why there have been so many disappointing reports by western journalists," it said, adding: "One clue lies in the fact that those journalists do not know what is really going on in China." The world press has, almost universally, condemned the sentence.

Britain, France and the US have strongly criticised China. A French official said: "France notes with disappointment that China does not take account of European feelings and concerns. France adds its voice to all those requesting a revision of this judgment on appeal."

Vietnamese press starts to taste the fruits of freedom

When Vietnamese film star Le Cong Tuan Anh committed suicide by taking an overdose of anti-malaria pills this month, his fans were not the only ones to get excited. Two Ho Chi Minh City-based newspapers snapped up the story, devoting whole pages to the drama of a failed relationship that drove him to death.

They sent reporters along to his funeral at a pagoda where a crowd of 100,000 had gathered. There were scuffles and a wall collapsed. The Communist party officials ordered coverage to be toned down. But by then the two papers – Tuoi Tre (Youth) and Nguoi Lao Dong (Workers) – had achieved their desired aim: their circulation doubled.

This is the new face of the media in Vietnam, where the country's 10-year experiment with economic liberalisation has brought great change to the formerly staid media.

Yet as in the case of Mr Anh, the authorities have not given up all their old ways. Yesterday the authorities, in effect, expelled the Hanoi correspondent of the Far Eastern Economic Review, the first time the country has got rid of a foreign correspondent since it allowed foreign news organisations to establish reporting bureaux in 1990.

Domestic newspapers have, in any case, been forced to change because of a cut in state subsidies to many newspapers and television stations that previously had relied on handouts from Hanoi. Now, many are adopting tactics more familiar to European tabloids than to socialist state censors in a bid to boost readership and revenue.

According to SRG Vietnam, a Ho Chi Minh City-based foreign research group, advertising spending in Vietnam increased to almost $150m from about $30m over the last five years. Competition is fierce: there are about 350 newspapers and magazines nationally. About 90 publications have been launched since 1990.

But Hanoi is not entirely happy with this development. The challenge for the party is how to cope with a media that, through commercialisation, is becoming more responsive to its readership at a time when the party's desire to control remains undiminished.

Vietnam does not require its media to submit material for censorship before publication. Instead, the Communist party appoints what it considers as ideologically reliable editors-in-chief to each organisation. They are responsible for ensuring that coverage toes the party line.

Under Vietnam's press laws, newspapers are not allowed to criticise "the achievements of the revolution" and party leaders.

Journalists are also required to be "responsible", although the term is not defined.

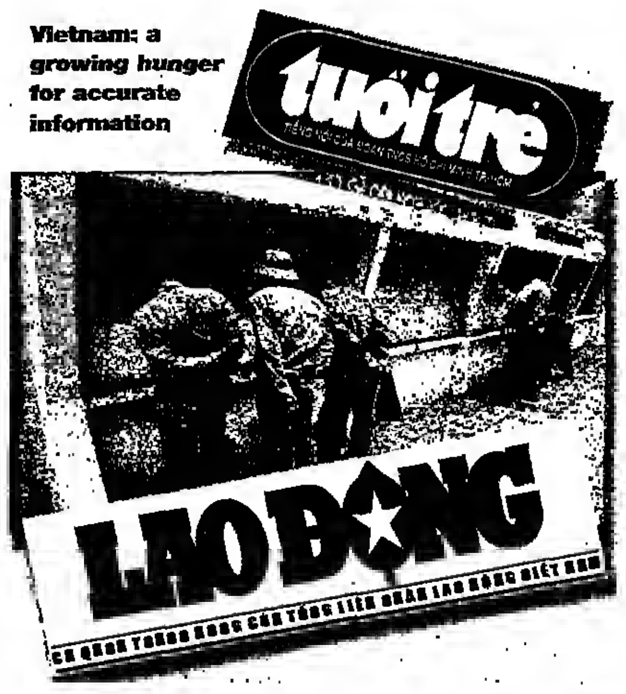
Nowhere is the issue more contentious than at Tuoi Tre. It is the best example of a newspaper that has successfully managed to tread a delicate path between state censorship and hold coverage of social issues and, on occasion, party scandals.

A few years ago one of its former editors was sacked for running an article discussing whether Ho Chi Minh had a wife. The former president's private life is taboo in Vietnam.

Yet Mr Nguyen Son Phuoc, Tuoi Tre's current deputy editor and a party member, has managed to turn it into one of the most successful newspapers, through successful manipulation of party contacts and sound business acumen.

The paper rents out office space to Volvo of Sweden and Nestlé of Switzerland at a building in central Saigon. It has its own printing press and plans to invest $10m next year in real estate, construction materials and a hospital.

His paper has been at the forefront of attempts to wean journalists off reliance on the bureaucracy for information. "If you get information from the government, it's not enough. You're just hanging your head against a closed door," he says.



Vietnam: a growing hunger for accurate information

Newspapers like Tuoi Tre may be pushing editorial boundaries to a degree, but it is too early to speak of editorial freedom. Corruption scandals are pursued in the press only after the party has given its approval.

Foreign and Vietnamese companies often include cash in press packs as a way of ensuring favourable coverage of their activities.

This, coupled with the obsessive secrecy with which the bureaucracy still treats most kinds of information, is likely to ensure Vietnam's newspapers will shun issues sensitive to the party and stick to what pleases most people – stories about film stars.

Jeremy Grant

Airline strike likely to embarrass Philippines

By Edward Luce in Manila

Philippine Airlines (PAL) yesterday threatened some 9,000 striking employees with summary dismissal if they failed to return to work today on All-Saints Day – one of the most important religious holidays in the country's calendar.

The warning escalates the dispute just three weeks before Manila plays host to the Asia Pacific Economic Co-operation (Apec) leaders' summit.

The Philippine government says the Apec trade forum is the most important international meeting to be held in the country since the IMF-World Bank meeting in 1976 and is keen to avoid embarrassments. President Suharto of Indonesia and President Jiang Zemin of China are among 18 leaders attending.

Manila's airport, which is being spruced up for the arrival of 18 Apec heads of state, could suffer heavily if the strike persists. President Fidel Ramos has so far refused to intervene.

A spokesmen for Mr Lucio Tan, chairman of the privatised airline who recently won a court battle with minority government shareholders to gain majority control of the national flag carrier, dismissed the walk-out as a "wildcat" strike. Most of PAL's maintenance and ground-handling crew are on strike.

"PAL management has advised striking personnel to return to work not later than Friday, November 1 or be deemed terminated from the company," said an airline statement yesterday.

Government officials, who have had running battles with Mr Tan over alleged tax evasion in his beer and tobacco subsidiaries, yesterday expressed concern over the possible ramifications of the walk-out.

● Human rights activists have challenged in the Supreme Court the government's decision to deny a visa to Mr José Ramos-Horta, Nobel peace prize winner.

The government refused a visa to the East Timorese activist on the grounds that he would pose a "threat to national security" and undermine Manila's relations with Indonesia before the Apec summit.

Indonesia has faced widespread international criticism over human rights abuses in East Timor.

Mr Ramos-Horta was to have attended a parallel summit on Apec next month. The petition to the Supreme Court was submitted by Philippine human rights groups yesterday.

Critics, including leading senators and Cardinal Jaime Sin, doyen of the 1986 "people power" revolution which overthrew the dictatorship of Ferdinand Marcos, accuse the government of betraying the country's democratic values.

The government – which earlier this week leaked a blacklist of other activists who would be refused entry, including Mrs Danielle Mitterrand, widow of the late French president, and Bishop Carlos Belo, joint Nobel peace prize winner from East Timor – said it was giving priority to the national interest.

ASIA-PACIFIC NEWS DIGEST

Thailand trade gap narrows

Thailand's large current account deficit has dipped below the psychologically important level of Bt30bn ($1.18bn) for the first time in six months, suggesting the country's economic woes may be easing, according to figures published yesterday by the central bank. The deficit shrank for the fourth month in a row to Bt29.3bn in August from Bt31bn in July.

However, rapidly slowing export growth this year has forced the Bank of Thailand further to trim its growth forecast this year to 7.8 per cent, the slowest rate of annual growth in more than a decade. Exports grew by a slow 2.4 per cent in the first eight months of this year, reinforcing the belief that the year-end figure would fall short of the government's already reduced growth target of 10.2 per cent export growth.

Manufacturing activity did pick up for a second consecutive month in August and there was also a modest expansion in foreign reserves to Bt39.5bn from Bt39.4bn in July. The Stock Exchange of Thailand index climbed 4.22 points to 910.33.

William Barnes in Bangkok

Property businessman charged

Mr Prasong Panichpakdee, chairman of one of Thailand's biggest property companies, Somprasong Land, was yesterday charged with doctoring financial statements and breaking laws designed to protect customers. Somprasong's ambitious expansion ran headlong into the greatly over-supplied Bangkok residential property market after its flotation in 1991. The Bank of Thailand, the central bank, yesterday sought to calm nerves by insisting it was not worried that struggling property companies might damage the banks and finance houses that lent them money.

William Barnes, Bangkok

Indian warning to Pakistan

India yesterday warned it would review the "entire gamut" of bilateral relations with Pakistan should it fail to protect Indian diplomatic staff in Islamabad, the Press Trust of India said. It said the Indian warning came after Pakistan suggested the two estranged neighbours should call a "truce" on picking off each other's officials.

Meanwhile a non-diplomatic official of India's embassy in Islamabad returned with his wife to New Delhi after being ordered to leave Pakistan. Mr Ashok Kumar Wahi's return came a day after Indian police arrested Mr Hafiz Mushtaque Khosa, a non-diplomatic staff member of the Pakistani High Commission on charges of spying in New Delhi. The tit-for-tat expulsions came a month after Pakistan and India ousted diplomats from each other's capitals for alleged spying.

AFP, New Delhi

Bangladesh sell-off planned

Bangladesh's Securities and Exchange Commission chief yesterday said the government would sell up to 2bn taka ($47m) worth of shares in state-owned companies listed on the Dhaka stock exchange by the end of fiscal 1996-97 to beef up the stock market. "The government as a first step will privatise the companies which are already listed with the Dhaka Stock Exchange to increase the market depth," Mr Haroonur Rashid said. He said the government would sell its stakes in all multinational companies, which number about eight, by December.

Reuter, Dhaka

World Bank management criticised

By Robert Chote, Economics Editor

The management of the World Bank has come under fire from members of its executive board, after the development organisation's in-house watchdog warned that its work on poverty reduction was inadequate.

In a recent internal report, the Bank's quasi-independent Operations Evaluation Department produced a lengthy critique of the content and use of "poverty assessments". These country-specific reports, which cost more than $220,000 each to produce, are supposed to ensure that poverty reduction is prioritised in the Bank's assistance to borrower countries.

At a meeting of the Bank's board in September, one executive director described the report as "catastrophic" and several said that it cast doubt on the seriousness with which management and staff approached the task of poverty reduction. The management argued in turn that the report was overly rigid and too negative.

The report looked at 46 poverty assessments between 1988 and 1994, comparing them with standards laid down in an operational directive on poverty reduction issued in 1991. The report concluded the quality of tha assessments improved after the directive came out, but that more than 40 per cent were still inadequate.

The watchdog added that the content of poverty assessments had only "a modest influence" on the country assistance strategies and that there was only a weak link between the assessments and the extent of poverty-targeted lending.

"Country assistance strategies focused overwhelmingly on broad macroeconomic stabilisation and structural reform issues, with few references to the status or causes of poverty, or to approaches to poverty reduction," the report said.

The Bank's formal policy on poverty reduction identifies three main objectives: broad-based, job intensive growth; investment in human resources and especially the poor; and the provision of safety nets for vulnerable groups and the very poor. But the report noted that some poverty assessments – notably from the Latin America and Caribbean office – focused on only one part of this strategy.

"Bluntly put, a significant mismatch appears to exist between the ambition and specificity of [the operational directive] on the one hand, and the performance of the Bank and its borrowing member countries in delivering on its provisions, on the other," it concluded.

Nigerian logging scheme hits a logjam

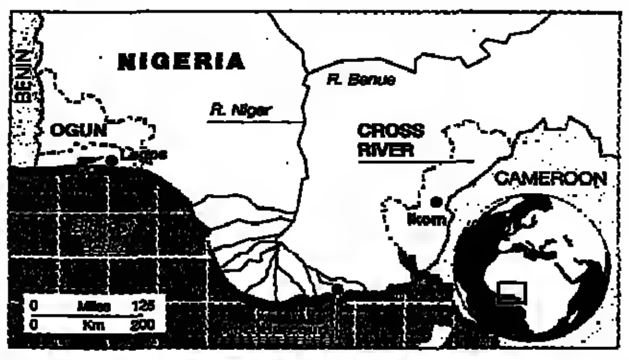
Paul Adams on the scandal surrounding plans which threaten a valuable conservation area

Dud cheques worth N600m ($7.5m) may seem unlikely to save a rainforest but the fraud scandal rocking the Federal Environmental Protection Agency (Fepa) could help delay a logging scheme which threatens Nigeria's most valuable conservation area.

Cross River National Park in south-east Nigeria is the last big rainforest in West Africa. A new timber operation covering 100 sq km on the edge of the park by the Chinese-owned Wempco industrial group has provoked a storm of protest locally and abroad, and forced it to submit an environmental impact assessment (EIA) to the agency, only the second company ever to do so in Nigeria.

Conservationists warn that Wempco's logging scheme threatens the entire 6,000 sq km Cross River forest – 40 per cent of the forest remaining in a country where 95 per cent has already been destroyed. The area contains at least 1,500 plant species, some of them endemic to the area, the only population of gorillas in West Africa and dozens of other endangered species.

But Fepa appeared to have dismissed the environmentalists' arguments and was on the verge of approving Wempco's scheme last month when the scandal broke.



Dr Evans Aina, its director, and other senior officials were detained over embezzlement of Fepa's funds, allegedly to support an insolvent bank in Lagos with which they had connections.

The Nigerian Conservation Foundation (NCF), backed by the World Wide Fund for Nature, had urged the federal government "to reject existing plans to log Nigeria's last rainforest".

Wempco's environmental assessment only covers the impact of the scheme on 1 per cent of its timber concessions, proposes a plantation system which will destroy biodiversity and fails to recognise tha role of local communities in forest management, said the NCF.

"We believe that these are errors and omissions which make Wempco's EIA document seriously flawed and an unfit and insufficient basis to give Wempco the go-ahead to log the rainforest," said the NCF. "There are constructive ways to log the rainforest, but a proper EIA should be conducted to address the shortfalls."

The arrest of the director has temporarily paralysed Fepa but the NCF suspects that Wempco has begun logging without approval.

The company has already built access roads to link its large new saw mill at nearby Ikom to their remote concessions in the forest. The Chinese company and the government of Cross River state see the scheme as a lucrative new venture employing more than 1,000 people in a state which needs such investment more than it needs the national park.

But critics of Wempco say the $4m plywood and veneer saw mill at Ikom was built to handle far more timber than Wempco's forest concessions can legally supply. They claim the project will encourage illegal logging and undermine community forestry schemes which the EU and other donors are trying to establish.

Environmentalists say Wempco has a bad record in an earlier logging operation in the Omo forest, one of the few habitats for rare monkeys and the few elephants left in western Nigeria. The company was accused of illegally logging protected trees for export, prompting the government of Ogun state to suspend Wempco's operations in Omo and close down its nearby plywood and veneer factory.

Wempco is reluctant to comment but insists that it is not out to destroy the forest, that it will protect it by employing local people in legal logging and that the environmentalists' campaign against the company is a false alarm that is misleading the public.

For decades, hunting and farming by a growing population have encroached on the Cross River forest. In a 1990 report the WWF warned that without prompt action the upland Okwangwo area would be "of trivial significance for conservation within 10-15 years."

A year later the federal government made two thirds of the forest a national park. Conservationists are gradually persuading communities in and around the park that they are better off preserving the forest than hunting and farming in it.

One such project, the Ikuri Initiative, is recognised by the state government as a model for community forestry. The Pandrillus rare monkeys breeding programme has won international awards for its community work at Afi mountain. The European Union project to develop the economy and protect the forest around the Okwangwo division is winning local support.

The Fepa's lack of sympathy with the conservationists follows criticism of the park from the Cross River state government, which recently claimed compensation from the federal government for loss of revenue through the creation of the national park.

Mr Frank Afufu, the commissioner for agriculture and forestry in Calabar, the state capital, says the creation of the national park in 1991 and an EU aid project, now cancelled, raised false hopes.

Conservationists say the claim, coinciding with the arrival of Wempco, has left the forest in severe jeopardy.

Mr Afufu believes fears are exaggerated.

"We want the national park but people can't die to let a tree live. You have to provide an alternative way to make a living. The development which our people believe in is ocular development – what they can see," says Mr Afufu.

"Nigeria should follow the lead of other African countries – South Africa, Gabon and Ghana – and join the worldwide movement for certification for all forestry operations by the International Stewardship Council," said Mr Philip Asiodu, a former oil minister, who heads the NCF.

"The companies now descending on us here have all been affected by the stricter controls now imposed in countries like Thailand, Malaysia and Indonesia. The risk is that there will be five years of destruction and then they will move on like termites."

Abacha medal award prompts UN dispute

By Frances Williams in Geneva

A diplomatic row is brewing in Geneva over the recent presentation of a gold medal to General Sani Abacha, the Nigerian president, by the head of the World Intellectual Property Organisation (Wipo), a United Nations agency.

The award was given in spite of condemnation of Nigeria's human rights record by two other UN bodies, the Human Rights Commission and the International Labour Organisation, and the country'e suspension from membership of the Commonwealth for human rights violations.

The presentation, made without the knowledge of other Wipo member governments and most Wipo staff, apparently took place in Abuja, the Nigerian capital, during a visit in October by Mr Arpad Bogsch Wipo director general. The US is demanding an explanation of the award.

Sani Abacha: medal normally given to inventors

In a letter to Mr Bogsch expressing Washington'e "deep concern", Mr Daniel Spiegel, US ambassador to the UN in Geneva, notes the Wipo gold medal is normally given for significant achievements by inventors.

"We are not aware that Gen Abacha has made significant contributions as an inventor, nor has Nigeria proven to be particularly deserving of special recognition for its progress in advancing the protection of industrial property rights," the letter says.

Nigeria is said by international business groups to be a thriving market for counterfeit goods, including films, television programmes and sound recordings.

Mr Bogsch, a Hungarian-born US citizen now in his late 70s who has headed Wipo since 1973, was not available for comment yesterday. This latest incident followe another dispute in September over an ambitious plan for a new Wipo building, now being re-examined after US intervention.

Western diplomats yesterday confessed bafflement over Mr Bogsch'e motives for giving the award. One speculated that Mr Bogsch, who retires next year, was trying to boost the chances of Mr Carlos Fernandez Ballesteros, Wipo's Uruguayan assistant director general, to succeed him. Mr Ballesteros accompanied Mr Bogsch on the trip to Abuja.

Another suggested Mr Bogsch may have felt obliged to accept a Nigerian government recommendation that Gen Abacha receive a medal. Mr Bogsch "showers two to three medals wherever he goes," the diplomat said, noting that the president of Uzbekistan had received one last year. However, in his letter Mr Spiegel argues that, as a specialised UN agency, Wipo has an obligation to respect UN mandates and recognise the political consequences of its actions.

He said yesterday that it was "outrageous and bizarre" for an award for inventive genius and creative talent to be given to the head of a government that had forced its only Nobel Laureate, writer Wole Soyinka, into exile and executed another writer, Ken Saro-Wiwa, under "very questionable" circumstances a year ago.

Uzbeks' hard currency problems increase

By Sander Thoenes in Almaty

Uzbekistan'e efforts to ease a shortage of hard currency backfired this week, boosting black market rates of the dollar and driving many importers of western goods to either increase prices or halt business altogether.

Shelves of many western-owned supermarkets have run out of supplies and prices of electronics have shot up as traders struggle to adapt to new restrictions on the purchase, use and export of hard currency. The street exchange rate of the sum, the local currency, has lost 30 per cent of its value in recent weeks as Uzbeks rushed to change their sums into dollars illegally.

Uzbekistan has faced a hard currency shortage since March because of disappointing export revenues. Rather than selling gold reserves or lowering the exchange rate of the sum, however, the government has left even its largest investors dangling with millions of dollars in local currency.

"We're only getting a fraction converted," said Mr Hikmat Ozmaden, general manager of Tashkochavto, a dealership for Turkish-made Fiat cars. "Bnt they will solve their problems. This is temporary."

Mr Ozmaden said the government had banned conversion of revenues from passenger car sales, his main business, and started charging a 30 per cent commission on every dollar converted from sales of car accessories, parts and lubricants.

Mr Igor Melnikov, head of strategic research at the National Bank, Uzbekistan's largest commercial bank, said that sum revenues on some foodstuffs, including chewing gum, beer and tobacco were at the bottom of the waiting list for conversion.

"We have sizeable gold reserves – they can cover all imports for seven months," Mr Melnikov said. "Problems arose while we started moving towards convertibility. But they were more organisational than economic."

"There's no fundamental problem with the economy," one western economist said, "but they have no great faith in market measures working in solving problems. They felt they could weather the storm with a bit of short-term rationing. That didn't work."

Attack on Taliban positions in Kabul restarts

Forces loyal to the ousted Afghan government bombed Kabul and launched a blistering assault on Taliban troops north of the capital yesterday, breaking a two-day lull in Afghanistan's latest war, Reuter reports from Kabul.

The assault, on both the De Sabz pass about 20 miles north of Kabul, and another pass, Khair Khana, also north of Kabul, began early yesterday morning.

It was followed shortly after by a bombing apparently aimed at the capital'e main airport in northeastern Kabul, which killed three children and wounded seven people.

Witnesses said the airport, used for both military and civilian traffic, appeared undamaged.

"The objective is to advance as far forward as possible," Mr Mehrabnddin Masstan, a epokesman for the commander of former government forces, Mr Ahmad Shah Masood, told reporters at the force'e headquarters in Jabal os-Siraj further north.

Mr Masstan said he could not confirm whether any ground had been secured by the anti-Taliban alliance, made np of Masood'e troops and heavy weapons and those of the northern Uzbek leader, Genaral Abdul Rashid Dostum.

Bnt he said the assault was "progressing well".

The assault on the passes is the third in nine days. The previous two attacks were stalemated around both passes, viewed by tha former government as "the gates to Kabul".

A senior source in Mr Masood'e camp said retaking Kabul from the Taliban militia was both politically and militarily vital.

Taliban shells also landed near the old road into Kabul, below the Khair Khana pass.

A commander on the old road reported fighting around the village of Hussein Kot, about 20 km (12 miles) north of Kabul.

The Pakistan-based Afghan Islamic Press (AIP) agency reported later yesterday that a commander loyal to the ousted Afghan government on Wednesday launched an attack on the Taliban in Dara-i-Noor, about 28 miles northeast of the eastern city of Jalalabad.

Sources close to commander Hazrat Ali told AIP his forces had seized the area after killing many Taliban fighters and capturing at least 20.

Settlements policy under fire in Israel

By Judy Dempsey in Jerusalem

The Israeli government is actively pursuing a policy of expanding Jewish eettlements as well as encouraging people to live in the West Bank by offering financial incentives, Peace Now, Israel'a most prominent peace movement, said yesterday.

The settlement policy will be allocated Shk600m ($183m) from the 1997 budget, double the amount in this year's budget.

Mr Mossi Raz, a Peace Now activist who has scrutinised the 1997 budget, said the government would finance its settlement policies by trimming the budgets of minietries not involved in the settlements.

"While ordinary Israelis have to face a Shk4.9bn cut in social welfare programmes, the settlements will be spared any of these measures," added Mr Raz. "We are sure of one thing. There is now a conscious policy of expanding the settlements and ancouraging people to settle in them." Settlers will continue to be granted a tax reduction of seven percentage points from their salary.

Peace Now earlier in the week sent a letter to Mr Benjamin Netanyahu, the prime minister, to coincide with the first reading of the budget, which aims to cut the budget deficit to 2.8 per cent of gross domestic prodnct next year compared with 3.8 per cent this year.

It protested about the 100 per cent rise in spending for the settlements as well as the fact that 90 per cent of the budget allocation was for areas beyond the Green Line, Israel'e pre-1967 borders.

A close reading of the 1997 budget proposals show that the housing and construction ministry will be allocated Shk172m to finish housing projects started in the West Bank between 1990 and 1992 but unfinished by the former Labour government, which itself had embarked on one of the biggest settlement expansions during its tenure in office.

The agriculture ministry has been given a budget of Shk145m for new settlements and the ministry of industry and commerce has additional spending of Shk69m for investing in settlements on the West Bank.

The state-run Israel Lands Anthority, the country's largest landowner, will be given Shk193m, a 15 per cent increase on this year's budget – which was not spent – specifically for expropriating land at Har Homa.

Har Homa is in east Jerusalem where Israel's jurisdiction is not recognised under international law. It has been earmarked for developing a Jewish-inhabited district.

Meanwhile, the government would not confirm whether a plan drawn up by

Pressure is coming from ultra-Orthodox communities

Mr Avigdor Lieberman, the director general of tha prime minister's office, would grant new settlaments in Gaza and the West Bank "high national priority".

The government is coming under pressure from the ultra-Orthodox communities to make more new housing available for the settlers.

● Almoet all buildings demolished by Israeli regulators since 1993 for unlicensed construction belonged to Arabs, the Haaretz newspaper said yesterday, Reuter reports from Jerusalem.

The newspaper, which examined Interior Ministry reports, said 90 per cent of all illegal buildings razed in Israel and East Jerusalem in the last three years were constructed by Arabs.

It said, however, that Arabs were responsible for only 65 percent of all construction without a permit.

NEWS: UK

Committee will consider whether outside body should oversee insurance market

Lloyd's may broaden regulation

By George Graham in London

The Lloyd's insurance market is reviewing whether its regulatory functions should be passed to an outside organisation.

Lloyd's yesterday announced the formation of a review group under the chairmanship of Sir Alan Hardcastle, who chairs its existing regulatory board, to examine arrangements for overseeing the market.

The group's terms of reference say it will consider "whether organisations other than Lloyd's should undertake or supervise any regulatory activities."

Sir Alan said the review would involve the Securities and Investments Board, the regulator of most of the rest of the City of London's financial institutions and markets under the 1986 Financial Services Act.

Lloyd's is regulated under its own 1982 act of parliament and largely exempt from the FSA, though the government's Department of Trade and Industry has a role in protecting policyholders' interests. Bringing it under the SIB would require fresh legislation.

Although a committee of the House of Commons said last year that the insurance market's regulations needed overhauling, the government has ruled out any action before the summer of 1997.

The 13-member review group will also consider the structure and staffing of Lloyd's regulatory division and the composition of its regulatory board.

Efforts to review Lloyd's regulation and internal structures have for the last five years largely been sidelined by the market's troubles.

In September, however, the DTI approved the creation of Equitas, the reinsurance company into which Lloyd's is transferring about £12bn of mainly US liabilities outstanding on policies sold before 1993.

Approval came after more than 90 per cent of the 34,000 Names - the individuals whose assets have traditionally supported the market - agreed to accept a £3.2bn settlement offer to end legal action against Lloyd's.

Much remains unclear about Lloyd's future shape. The unlimited personal liability of the traditional Names is being replaced by new corporate investors - professional fund managers and insurance specialists which have pumped £1.5bn into limited liability corporate members at Lloyd's in the past three years.

If that trend continues, Lloyd's officials say, it could change the sort of regulation that would be appropriate.

Transferring Lloyd's regulation to another body, such as the SIB, would have much support within the market.

Bus industry alarmed by EU design ideas

Operators fear new standards could force their costs to rise

The British bus industry fears that proposed European Union rules on construction may make bus travel less attractive. The European Commission's industry directorate (DG3) proposes to publish a directive laying down standards for the construction of buses and coaches within the next few years of wrangling and no fewer than eight drafts.

The industry fears that the draft directive could push up the cost of buying vehicles, reducing the already slim margins many operators make. UK requirements to improve disabled access are currently forcing bus operators to invest in more expensive low-floor and "kneeling" buses.

British bus operators complain that the directive is based on the mainland European approach to bus design, which allows for relatively few seats but plenty of standing room. Buses in Britain and Ireland have traditionally offered more seats.

The British bus industry still has deep misgivings in spite of assurances from Mr Neil Kinnock, European transport commissioner, to the Confederation of Passenger Transport, representing bus, coach and tram operators. "We hope that the directive will concern itself with matters of safety rather than comfort, which are best left to the individual member states or to the operators," said Mr Dennis Flower, operations director of the confederation.

The main proposals on which Brussels has been working include allowing a greater number of standing passengers while reducing the number of seats. Up to eight standing passengers would be allowed per square metre compared with the five at present permitted in the UK.

The directive is also expected to call for an increase in the number of doors and, on certain classes of double-deckers, the installation of a second set of steps to the top deck.

"These proposals have more to do with technical standards than with common sense," said Mr Anthony Pursey, commercial director of Walter Alexander, a UK bus and coach body builder. "We found no evidence of any passengers being seriously injured or killed over the past decade because there was no second stair case on double deckers."

The confederation believes that, far from enhancing passenger safety, any moves to reduce seating in buses and to increase the number of doors will increase the risks to travellers.

"We are convinced that a seated passenger is always safer than a standing one," said Mr Flower. "Furthermore, the UK bus industry has progressively reduced the number of vehicles with centre and rear doors because of the risk to passengers boarding and alighting out of the driver's direct line of sight."

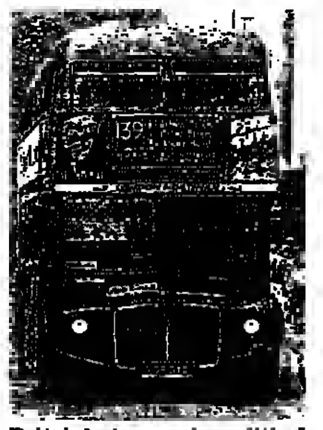
In addition, bus operators do not like doors away from the driver because of the increased chance of passengers avoiding paying their fare and the need to position bus doors alongside shelters and platforms at bus stops.

Bus operators fear that the shift away from double-decker buses to smaller, more economical and flexible mini and midi-buses which followed the deregulation of the UK bus industry in the mid-1980s could also be jeopardised by EU legislation.

One element of the directive is expected to be a regulation on the minimum width of seats. This would have the effect of reducing the number of seats abreast which could be installed from four to three and make their operation uneconomical. This would be in line with mini buses which account for 12 per cent of the UK bus fleet.

EU member countries will be allowed to seek exemption from the terms of the directive until a review planned for 2005 but British bus operators described this as a "fudge" which at best would postpone the imposition of unattractive regulation.

Charles Batchelor



Britain's two main political parties yesterday called for London's distinctive Routemaster buses to be saved after it was suggested they may be scrapped by 2000, Liam Halligan writes.

European bus and coach comparisons

1993 (*1991 **1992)

	Pop'n m	Bus/coaches vehicles 000	vehicle bn km	Passenger km travelled by bus/coach total	per capita
Great Britain	56.6	75	4.6	42.0	742
Northern Ireland	1.6	2	[illegible]	[illegible]	[illegible]
Austria	[illegible]	9	0.5	13.7	1784
Belgium	10.1	15	0.4*	4.7	465
Denmark	5.2	[illegible]	0.5	9.2	1769
Finland	5.1	8	0.6	8.0	1569
France	[illegible]	[illegible]	2.6*	41.6	727
Germany	80.6	71	4.7	71.1	882
Greece	10.4*	26	[illegible]	5.2**	500
Irish Republic	3.6	5	0.3*	[illegible]	[illegible]
Italy	56.9	78*	4.8*	87.8**	1543
Luxembourg	0.4	1	[illegible]	[illegible]	[illegible]
Netherlands	15.2	12	0.6	11.9	783
Portugal	9.9	11	0.7	11.6	1192
Spain	[illegible]	[illegible]	[illegible]	[illegible]	1288
Sweden	8.8	14	0.8	10.9	1239

Britain has the third highest overall level of bus and coach travel in the European Union, but only tenth highest rate of bus and coach use per head of population

Reform of N Ireland terror law proposed

By John Kampfner, Chief Political Correspondent

The British government was yesterday presented with a radical prescription for reforming anti-terrorist legislation in Northern Ireland.

The recommendations were contained in the findings of a year-long inquiry by Lord Lloyd of Berwick, who was asked by ministers to look at changes in the event of lasting peace in Northern Ireland.

Some of the suggestions relating to human rights in Northern Ireland are likely to be dismissed by pro-British politicians in the region and many Conservative members of the House of Commons.

The report was commissioned two months before the Irish Republican Army broke its ceasefire in February. With the inquiry remit seemingly out of date, many of its more controversial proposals are likely to be shelved.

The opposition Labour party, however, called the report a "significant contribution" which showed how a second IRA ceasefire "could transform the framework of law and order throughout the UK".

The legislation is intended to replace the existing Prevention of Terrorism Act, which applies to the British mainland, and the Emergency Provisions Act for Northern Ireland which are both subject to annual review.

The report makes clear that, even if peace is agreed in Northern Ireland, permanent anti-terrorist legislation will be required.

One of the aims is to pre-empt future challenges against Britain by European courts. Among the suggestions are:

● Ending exclusion orders, which have been used in the past to prevent individuals from entering Britain from Northern Ireland.

● Ending so-called "Diplock" courts in Northern Ireland, set up to allow judges to cast verdicts instead of juries because of intimidation.

● Replacing the seven-day pre-trial custody for terrorist suspects. In future, an initial 48-hour could be extended only by two days through a decision of judges rather than ministers.

● Introducing a statutory provision enabling judges to ensure that a minimum term stipulated for a life sentence reflects the severity of a terrorist crime.

● Encouraging informers with a discount of one-third to two-thirds off a sentence if they testify for the prosecution. Currently it is at the discretion of judges.

UK NEWS DIGEST

Export credits agency recovers

The Export Credits Guarantee Department has completed its recovery from more than a decade of serious financial difficulties caused by the Third World debt crisis, the head of the government-owned trade finance agency said yesterday.

Mr Brian Willott, chief executive, said a buoyant operating performance and an improvement in the department's cash flow in the year to March 31 had enabled it to make a £246m ($400.98m) casb payment to the Treasury.

The last time the ECGD contributed to the exchequer was in 1983. It then operated in deficit before achieving break-even in 1993-1994. Last year's payment is believed to be the largest ever, although the ECGD said changes in its operations made direct comparisons with previous years difficult.

The ECGD said its trading surplus on new insurance business written since 1991 rose to £103.3m in the last financial year from £60m. Premium income increased to £156.5m from £112.5m, while claims paid fell to £294.7m from £421m.

Guarantees issued for new business rose 35 per cent to £4.06bn, twice the average annual level for the previous decade. The figure was boosted by cover for exports of Airbus commercial aircraft and large power station projects in China and the Philippines. China was by far the biggest market for new business. *Guy de Jonquières*

■ CORPORATE GOVERNANCE

Two-tier German boards rejected

The Confederation of Britisb Industry, the country's biggest employers' lobby, yesterday rejected suggestions from the opposition Labour party that economic "stakeholders" such as employees, customers and suppliers should he represented in company boardrooms.

In a report prepared for the corporate governance committee chaired by Sir Ronald Hampel, the CBI acknowledged that the UK's traditional unitary board system was under attack following public arguments over directors' pay and the role of non-executive directors in supervising executive directors.

However, the CBI said that the answer to these concerns did not lie in opening boardrooms to representatives of stakebolders or accommodating stakebolders by creating German-style two-tier boards. *Stefan Wagstyl*

■ PENSIONS

Mis-selling leak investigated

The Personal Investment Authority, the City of London watchdog, has launched an inquiry into a leak of figures showing the slow pace of efforts to compensate people who were mis-sold personal pensions. It plans to eppoint "an independent person of stature" to conduct the probe.

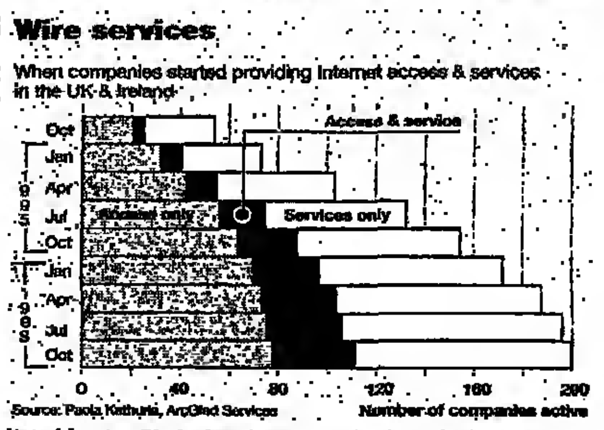
The figures, printed in the Independent newspaper in London this week, showed that 26 of the country's leading pension providers had assessed only 9,100 of more than 360,000 priority cases.

The review into pensions mis-selling was launched by the Securities and Investments Board, the chief city watchdog, in 1994 when up to 1m potential cases were identified. *Christopher Brown-Humes*

■ INTERNET

Servicing companies' growth falls

The rapid expansion in the number of companies set up to take advantage of the Internet in the UK has fallen off in the past six months, according to a continuing survey of the global network. There are now 630 British companies listed by ArcGlade Services in their "inetuk" list, of which 61 per cent are involved in designing Net services for other companies. The rest base their business on linking individuals and companies to the Net, although many now cover both the "access" and "services" sides of the sector. *James Mackintosh*



■ INWARD INVESTMENT

Toyo Seals leases factory

Toyo Seal Industries of Japan is making its first overseas manufacturing investment with e £2.4m ($3.91m) project in north Wales. The company, which makes rubber seals for automotive bearings, considered other sites in the UK and mainland Europe before deciding to lease a factory at Wrexham in north Wales from the Welsb Development Agency. The project is grant aided hy the British government's Welsh Office.

In a separate inward investment, Contico International of the US is setting up a company in Cornwall, south-west England, to assemble plastic spray heads, used for domestic cleaning and insecticides. The subsidiary, Continental Sprayers, is expected to create at least 60 jobs in a £5.1m investment at Redruth. The Department of Trade & Industry is providing £840,000 of grant aid. *Roland Adburgham, Cardiff*

■ COMPANY SALE

Rolls-Royce in negotiations

Rolls-Royce will today issue e statutory protective redundancy notice relating to all the 1,700 employees of its Parsons Power Geoeration Systems offshoot, which was offered for sale in July. Rolls-Royce, which is continuing its efforts to sell Parsons, says it is optimistic of a sale. A couple of potential purchasers, whose identity has not been disclosed, have signed confidentiality clauses and are carrying out due diligence. *Chris Tighe*

Phones innovation is linked to Philips

By Alan Cane in London

A nine-month-old UK company has developed a system which offers small and home-based businesses the advantages of large, computer-based telepbone exchanges at e fraction of the cost.

The system, called "Imagination", has been designed and developed and is manufactured hy Telecom Sciences Corporation for Philips, the Dutch electronics group. TSC bought Philips' telecoms manufacturing business in Airdrie, Scotland, in February this year for £28.1m ($45.8m).

"Imagination" enahles companies with only a handful of telephone lines to take advantage of "computer-telephone integration" an advanced system used by large companies to recall customer details speedily, and ISDN (Integrated Subscriber Digital Network), high epeed telecommunication lines which form the foundation of the information snperhighway.

CTI systems can cost tens of thousands of pounds which has limited their use to large companies. The new system, however, has an entry level price of £699 for a bome business rising to about £11,000 for a medium-sized company with 250 telephone lines.

Mr David Boyce, TSC chief executive, said he expected the company to have sales of £80m in Europe by the end of next year with almost half the total in the UK.

The UK lags behind other European countries in the adoption of ISDN lines, which are capable of transmitting voice, data and video images simultaneously. This is chiefly because of cost. In the Netherlands, for example, it is now cheaper to install an ISDN line than a conventional telephone line, while Germany has stimnlated demand hy paying DM700 ($463.50) towards the cost of equipment to be used on a newly installed ISDN line. British Telecommunications is keen to stimulate demand for ISDN lines and has recently announced new tariffs.

Mr Boyce says the use of "Imagination" equlpment and an ISDN line would eliminate the need for separate pieces of equipment such as fax machines and telephone answerlng machines.

Pension debt stirs Emu debate

By Jemes Blitz, Political Correspondent

The cabinet was yesterdey embroiled in a new row over sterling's membership of e single currency following publication of a report into Europe's public pension scbemes.

In spite of a determined display of unity over Europe at last month's annual conference of the governing Conservetive party, Mr Kenneth Clarke, the chancellor of tbe exchequer, and Mr Peter Lilley, the chief social security minister, appeared dlvlded over a report expressing alarm over "unfunded" pensions schemes in European Union states.

Mr Lilley was said to be warmly supportive of an investigation by the House of Commons social security committee, which claimed it would be "crazy" to exclude Europe's growing unfunded pensions liabilities from the monetary union criteria.

But officials at the Treasury, where Mr Clarke is the senior minister, said thare was no aubstance to the report, arguing that EU states "have started to take at least some action" to deal with long-term liabilities from their unfunded schemes.

The committee's report, entitled *Unfunded Pensions Liabilities in the European Union*, argued that France and Germany would face a crippling fiscal burden in the next century because of their reliance on pay-as-you go schemes. By contrast, it claims tha UK is in a far stronger position because it has more pension assets invested in private aector schemes than the rest of Europe put together.

The committee argues that the UK would be "at risk" from the levels of pension debt in Europe if it joined a singla currency.

As an axample of the kinds of liabilities the UK might be exposed to, the committee said the UK's total national debt – including unfunded pension liabilities – was currently equivalent to £9,000 per person. This would increase to an average of £30,000 of debt if total EU llabilities were shared among all member etates. However, the Treasury argued that the UK was protected hy several aspects of the Maastricht treaty.

It emerged yesterday that a leading economic adviser to the European Commission was set to raise concerns about the economic pressures from public sector pension schemes ecross Europe.

In a paper that will be published sbortly, Mr Daniele Franco, economic adviser in the Commission's directorate general for economic and financial affairs (DGII), argues that the ecale of unfunded liebtlities will mean tbat "in the first decade of the next century the ontlook for the pension system gets worse".

Lord Healey, the former Labour chancellor of the exchequer, underlined the party's increaeingly sceptical atance over European monetary union on Wednesday hy predicting that a single currency would cause street riots, David Wighton writes.

He told the House of Lords that it would be "a disaster economically and politically" for Europe to go ahead and that if the UK could not persuade other countries to detey it should stay out.

Lord Healey, then Mr Denis Healey, was a Labour MP from 1945 to 1992 and a minister in the 1970s.

"The social strains created hy the fight between the central bank and the national governments to try to return to the type of convergence which was originally intended will prodnce riots on the streets, as they already have in France, and certainly demonstrations, as they are doing now in Germany," he said.

US team fails to prove electricity allegations

By Simon Holberton in London

Britain's electricity industry will take comfort from the most comprehensive survey of researcb into the effects on human health of electromagnetic fields (EMFs) which has concluded there is no clear, convincing evidence that exposure to them harms health.

More than 500 studies published over the past 17 years were examined hy a committee of the US National Research Council, a body funded hy Congress.

At the release of the committee's report in Washington yesterday, Professor Charles Stevens, chairman of the committee, said: "Research has not shown any convincing way that EMFs common in homes can cause health problems, and extensive laboratory tests have not shown that EMFs can damage the cell in a way that is harmful to human health."

All electrical appliances amit EMFs, as do above and below-ground power lines. Since a 1979 study implicated EMFs in an above-average incidence of childhood leukaemia, electricity companies have been sensitive to tbe financial consequences of public liability suits.

Companies have sought to protect themselves from civil suits by taking out special insurance schemes to help them fight court cases. Eight regional electricity companies in Britain are investigating tha establishment of an offshore mutual insurance fund.

An epidemiological study of childhood cancer is being undertaken by the UK co-ordinating committee on cancer research. This may go some of the way to resolving the questions that continue to linger after nearly 20 years of research.

Altbougb Professor Stevens' committee found no experiments on cells, and animals, or studies of humans showing EMFs as being carcinogenic, it concluded that there was an as yet unexplained "association" between EMFs and a higher than normal incidence of childhood leukaemia.

It said that the association between residential proximity to high voltage transmission lines and increased rates of childhood leukaemia remained unexplained. High voltage transmission lines were associated with a "statistically significant" 1½ fold excess of childhood leukaemia cases.

"However, the inconsistency of results and the lack of a positive association when spot measurements are used remain an enigma," the report says.

JORDAN

Peace crisis crushes hopes

Unless the Israeli leader changes course, the kingdom's dream of being the economic hub of the Middle East may prove impossible to fulfil. David Gardner explains why

Just one year ago, King Hussein of Jordan opened the second Middle East economic summit in Amman, intended to demonstrate that the long Arab-Israeli conflict had given way to peace, cross-border business and regional integration – and to entice investors into choosing Jordan as their Middle Eastern base.

Only days later, prime minister Yitzhak Rabin of Israel was assassinated by a Jewish extremist, triggering a chain of events that led to May'e election of Mr Benjamin Netanyahn at the head of a hardline Israeli coalition. The regional peace process has since ground to a halt, and the much-touted Israel-Jordan-Palestine "triangle" of development, sold to Jordanians as the Kingdom's ticket to a middle-income economy, is nowhere in sight.

King Hussein, the Arab leader who went furthest in building bridges towards Israel, has since May looked perilously out on a limb, as exposed as at any time in his bumpy 44-year reign.

In August, a more than doubling of bread prices as part of an International Monetary Fund-sponsored programme to cut the budget deficit and deepen structural reform of the economy sparked a revolt, which quickly spread from the old Crusader stronghold of Karak through southern Jordan to the poor suburbs of the capital, Amman.

Jordan's prime minister, Kabariti: has had to face domestic unrest

Just as in similarly fierce rioting after an IMF-backed fuel price rise in 1989, it was the Bedouin tribes and ethnic "East Bank" Jordanians – not the majority Palestinian community in the kingdom, traditionally seen as the greatest security worry – who rose in ire. The Bedouin army and intalligence services, alongside an administration sprinkled with Palestinian technocrats but dominated by tribal grandees, are the pillars of the monarchy.

It was also the East Bankers who took most exception to King Hussein's emotional speech at Mr Rabin's funeral last year. Hostility to Jordan's 1994 peace treaty with Israel is widespread, and has deepened as the "peace dividends" rashly promised by tha government have failed to appear.

Unlike Egypt, which has had more than $40bn in mainly US aid since signing its peace treaty with Israel in 1979, Jordan has received a write-off of barely $1bn of its foreign debt, which, at $6.2bn, still nearly equals its gross domestic product. At the Amman summit a year ago, Jordan had high bopes of attracting investment of up to $3.5bn, much of it to develop assets shared with its peace partners, such as the water, energy, minerals, land, ports and tourism potential of the Jordan Rift Valley and Gulf of Aqaba. Hard though Jordan has worked, virtually none of this has materialised.

After the near collapse of its economy and finances at the end of the 1980s, Jordan sncceesfully stabilised its macroeconomy, and until last year managed non-inflationary growth averaging around 6 per cent of GDP. It moved quickly on to structural reform, putting in place investor-friendly laws and reforming capital markets, starting privatisation, and signalling its intention to become internationally competitive by negotiating a partnership agreement with the European Union and membership of the World Trade Organisation.

But reform, coincident with an unpopular peace, has also brought hardship to a fast-growing population, widening the gap between rich and poor, and badly hitting the middle classes, the social bedrock of Jordanian stability. According to Mr Mufleh Akel, a senior executive at the leading Arab Bank, while official figures show an increase in per capita income over the past three years of 6 per cent, private consumption has fallen 13 per cent in the same period, and a quarter of the population remains below the poverty line.

Yet while it was buoyed by the peace process, Jordan could plausibly aim at becoming a prosperous regional base for investment and production. "We started seeing ourselves as a catalyst that could activate things around us," says Mr Taleb Rifa'i, head of the Investment Promotion Corporation, the new "one-stop-shop" for foreign investors, "a bridge between the Arabs and Israel, and a processing centre for money, goods and services".

The pressure for Jordan to reorient its foreign and trade relations was and remains strong. The progressive closing off of Iraq, traditionally Jordan's largest market, as a result of UN sanctions following President Saddam Hussein's 1990 invasion of Kuwait, and the very slow recovery of exports to the Gulf, where Jordan was until recently unwelcome because it stood aside from the US-led alliance that evicted Iraq in 1991, means Jordan has a more pressing economic interest in peace than many of its Arab neighbours.

This may partly explain why King Husseein took greater risks in arguing that the Arabs should give Mr Netanyahu more time, even though the Israeli leader rejected from the outset returning more conquered Arab land in exchange for peace, and has ruled out a Palestinian state on the (formerly Jordanian) West Bank with occupied Arab east Jerusalem as its capital. At June's Arab summit in Cairo, the first since the Gulf crisis, Jordan resisted Syrian-led demands for an immediate end to diplomatic and commercial ties with Israel.

But September's ferocious fighting between Israeli troops and Palestinian policemen across the Jordan river on the West Bank, the result of Mr Netanyahu's failure to implement even the interim self-rule agreement the Palestinians reached last year with Mr Rabin, seems to have forced the king to rethink.

He was criticised for attending last month's emergency summit between Mr Netanyahu and the Palestinian leader Yassir Arafat in Washington – whereas President Hosni Mubarak of Egypt garnered Arab plaudits by staying away. But the king used the occasion to vent all the fury of a spurned moderate on the Israeli leader. American leaks confirmed by the king revealed that he had warned Mr Netanyahu that his extremism and warmongering could tip the region into an abyss, and fatally undermine the peace camp in the Arab world.

The precariousness of Jordan's own position should the peace process fail and West Bank desperation spill over the river, is underlined by a former Jordanian prime minister. "With the [September] events in Palestine," he warns, "the frustration of the Palestinian population [in Jordan] is becoming equal to that of the 'East Bankers'. That is very, very dangerous."

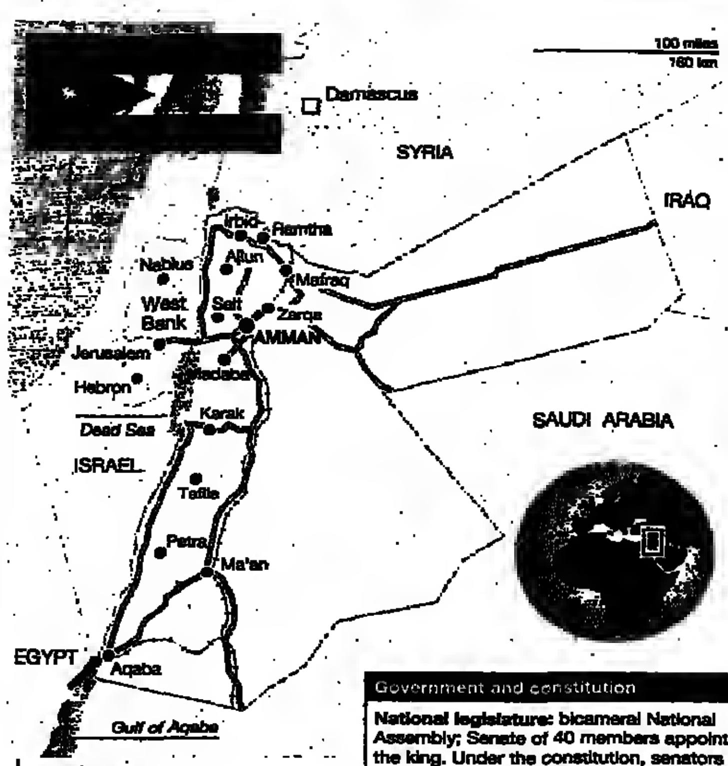
In an interview last month the King himself warned that the Egyptian and Jordanian peace treaties with Israel – tbe only secure achievements of half a century of peacemaking – "will definitely be in question if there isn't a strict adherence to all agreements", especially the Israeli-Palestinian accords. "Without the peace process," one cabinet minister says, "the [1994] treaty is just a piece of paper".

The King followed this up with his first visit to the West Bank since Israel captured it from Jordan in the 1967 six-day war, going out of his way to support Mr Arafat and allay Palestinian suspicions of Jordanian collusion with Israel.

At home, he bae been under pressure since the riots to replace the reforming government of prime minister Abdel-Karim Kabariti. Some leading Jordanian politicians sense be may circle the wagons with a broad-based national and nationalist coalition, perhaps including tbe fundamentalist Islamic Action Front, the most cohesive opposition group, wbich helped keep the August events within constitutional bounds.

Senior officiels say the hope is that increased pressure on Israel from Washington after next week's US elections, combined with a united Arab front led by Ierael's peace partners, Egypt and Jordan, will translate into internal pressure on Mr Netanyahu to change course – especially from Ierael's internationally-minded business community. Unless that happens, they believe, there is little prospect of the Middle East fashioning a framework for moving forward, and therefore little chance of Jordan becoming an economic hub for the region.

"You have to offer yourself as a region," says a senior official responsible for strategy. "There is no alternative, even if, as yet, we don't have a region. These are very difficult times. It will happen, but when is a question I cannot answer."



- Area: 91,880 sq km
- Population: 4.3m
- Currency: Jordanian Dinar (JD) Rate: Oct 15, 1996 $1=JD0.711
- Main towns and population: (1991 official estimates)

Amman	1,281,000	Mafraq	102,000
Zarqa	585,000	Ramtha	79,000
Irbid	373,000	Ajlun	73,000
Salt	167,000	Madaba	70,000

- Language: Arabic; English is widely spoken.

Sources: EIU; Datastream

Economic summary

	1995	1996*
Total GDP, nominal (JD billion)	4.62	5.12
Real GDP growth (annual % change)	6.4	4.1
GDP per head ($)	1,581	1,653
Consumer prices (annual av. % change)	2.3	6.4
Industrial output (annual % change)	5.1	-1.9
Agricultural output (annual % change)	4.0	4.9
Services output (annual % change)	5.1	7.8
Money supply, M2 (annual % change)	7.6	7.0
Foreign debt ($m)	7,129	7,006
Debt service (% of exports)	14.4	14.7
Current account balance ($m)	-221	-279
Merchandise exports ($m)	1,776	1,950
Merchandise imports ($m)	-3,297	-3,528
Merchandise trade balance ($m)	-1,521	-1,578

* forecast

Government and constitution

National legislature: bicameral National Assembly; Senate of 40 members appointed by the king. Under the constitution, senators are selected from prominent political and public figures. Directly elected Chamber of Deputies of 80 members.

Electoral system: direct universal suffrage

Next election due: November 1997

National government: Council of Ministers headed by the prime minister, appointed by the king; ministers appointed by the king on the advice of the prime minister. The Council of Ministers is responsible to the Chamber of Deputies.

◄ **Head of state:** King Hussein ibn Talal

Prime minister, foreign and defence minister: Abdel-Karim al-Kabariti

Speaker of the Senate: Ahmed Lawzi

Speaker of the National Assembly: Saad Hayel Sorour

Main political parties: Jordanian National Alliance; Popular Unity Party; Future Party; Unionist Arab Democratic Party; Islamic Action Front; and pan-Arab nationalist, Baathist and Communist parties.

Economy: by David Gardner

All dressed up with nowhere to go?

The success of macroeconomic reforms is diluted by continued regional strife

The election in May of Mr Benjamin Netanyahu as Israel's prime minister at the head of a hardline coalition opposed to returning conquered Arab land in exchange for peace has given Jordan's economy the look of being all dressed up with nowhere to go.

After near financial and economic collapse at the end of the 1980s, Jordan has successfully stabilised its macroeconomy. It has also put in place investor-friendly laws intended to create a regional base for a Middle Eastern market it expected to expand and become integrated as a result of the peace process between the Arabs and Israelis. But that has not happened.

Partly as a consequence, attendant restructuring problems – such as the lifting of bread subsidies that convulsed the kingdom in riots in August – and secular problems such as fast-dwindling water resources, which can only be solved within a regional accord, look more intractable.

Throughout the 1970s and most of the 1980s, Jordan prospered from the surge of oil wealth from its Arab neighbours, and by feeding the undemanding Iraqi market throughout the 1980-88 Iran-Iraq war. But then the mid-80s oil price collapse, draining off the flow of aid and Jordanian remittances from the Gulf, was followed by the 1990-91 Gulf crisis. This closed off Jordan's biggest market in Iraq and isolated the kingdom from the Gulf, after King Hussein refused to support the Western-Arab coalition that evicted Iraq from Kuwait.

Nevertheless, backed by the International Monetary Fund and the World Bank, Jordan in 1990 launched a thorough restructuring programme, which until last year yielded average annual growth in GDP of 6 per cent, cut inflation from 16 to just over 4 per cent, and slashed the budget deficit from over 18 to around 5 per cent of GDP.

Beyond macroeconomic stabilisation and the maintenance of a strong and convertible dinar through high interest rates, the government has cut corporate taxes heavily, liberalised foreign investment rules, consolidated the banking sector and reformed the securities market, started down the road to privatising state assets and halved the weighted average tariff to around 17 per cent.

By the end of this year, it hopes to have sealed a partnership agreement with the European Union, and has already started negotiations to join the World Trade Organisation – the two clearest signals of its wish to be integrated with the international economy.

In mid-reform, Jordan placed a big strategic bet – signing its 1994 peace treaty with Israel, and banking on the emergence of a Jordan-Israel-Palestine "triangle" of cross-border economic integration, investment and development.

High investment during the fat years had developed a small but solid manufacturing base, with big state-dominated companies in potash, phosphates and fertilisers, cement and refined oil products, and smaller private ones producing pharmaceuticals, detergents and chemicals, footwear and textiles, and processed foods. The fertiliser business has internationalised through a bold joint-venture policy aimed at securing more added value and long-term markets. But to attract desperately needed investment – from foreigners and Jordanians who hold an estimated $6bn abroad – Jordan, without the size of Egypt or the riches of the Gulf, had to expand from a small market of 4.3m people to a base for the region. The peace process appeared to be the key.

"The peace process added something unique to a strategy to integrate our economy internationally," says Mr Taleb Rifa'i, director of the Investment Promotion Corporation, the government's new "one-stop shop" for foreign investors. "We started seeing ourselves as a bridge between the Arabs and Israel, and a processing centre for money, goods and services."

First-quarter direct investment approvals of $300m, about one fifth from abroad, showed modest promise – which quickly faded with the Israeli election.

But hopes that the 1994 treaty would lift Jordan's economy into the middle income bracket were not materialising even before the advent of Mr Netanyahu, and his subsequent freeze on the peace process with the Palestinians and Syria. "Economic logic cannot be a substitute for political progress," Mr Rifa'i ruefully acknowledges.

Jordan received nothing like the peace "dividend" Egypt got for its 1979 treaty with Israel, which still amounts to nearly $4bn foreign aid a year and the near halving of its foreign debt. The kingdom instead got modest sovereign debt write-offs, mainly from the US and UK, cutting the debt from $8.4bn in 1991 to $6.2bn now. That is still roughly equivalent to Jordan's GDP and this "overhang" is putting pressure on the current account, at a time when Jordanian export options are far from clear.

The Palestinian West Bank, let alone the much bigger, more sophisticated Israeli market, is all but closed to Jordan for what Israel insists are security reasons but Amman construes as protection of a captive market. Jordanian cement, for instance, when it can get into the frequently blockaded occupied territories, has to travel on a "back-to-back" system, unloading at the border and reloading in the West Bank; leaving Jordan at $46.50 a ton, it arrives in Gaza at $91 a ton, erasing Jordan's comparative advantage against Israeli suppliers.

But it is above all in Iraq, which even after the Gulf War was taking 20 per cent of Jordanian exports, where the pressure is becoming acute. The indefinite postponement of UN-sanctioned "humanitarian" oil sales to enable Iraq to buy food and medicine has combined with Jordan's decision nearly to halve its oil-for-goods barter trade with Iraq. This, UN-agreed, protocol allowed Jordan to import $400m in Iraqi oil at a discount, in exchange for goods that Amman paid Jordanian merchants for supplying. In practice, Jordanian exporters were supplying far more – leading to arrears on the protocol of $1.3bn, officials say. The government's decision to rein in this trade means that total Jordanian exports are now growing at only 10 per cent, against nearly 50 per cent in 1994-95.

All this has highlighted once again the dilemma Jordan faces about where to aim its goods – regionally or internationally. Mr Mufleh Akel, senior credit manager at Arab Bank, Jordan's leading bank, says "the Iraqi market is a strategic market for us, and we can't easily replace it", adding that, "with exceptions like fertiliser, to go regional is more practical".

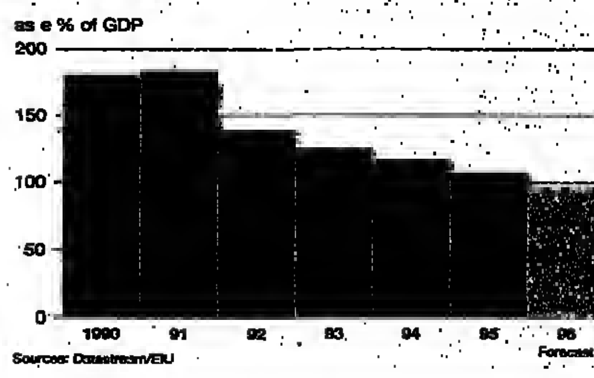
Mr Riad Fariz, the new governor of the central bank, by contrast detects the beginnings of "a structural shift towards more demanding markets", with exports to Europe, for instance, up fivefold since 1991. "My view is that with globalisation, if we cannot compete internationally then we cannot compete regionally," he says.

The central bank has come under attack for maintaining high interest rates – currently ranging between 13 and 14 per cent against inflation of 4 to 5 per cent if the one-off effect of the bread price rises is discounted. Yet these rates are a vital hook for remittances and repatriated capital – running at JD504m in the first half of this year against JD797m all last year, or JD265m in 1991 – one of the kingdom's three main sources of income along with tourism and fertiliser exports. Mr Fariz also intends to deter dollar speculators. While there is virtually no dinar liquidity, the banks hold around $3bn in dollar deposits and the governor is determined the price of redemption will be high.

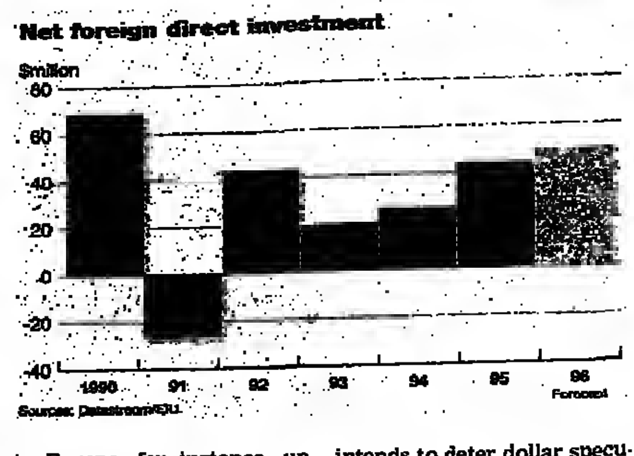
The policy diverts savings into land and high-yield government instruments, but Mr Fariz maintains that investment is still high (at over 30 per cent of GDP), and points to central bank rate rebates and dinar lines available to industrial investors.

"My top priority is to maintain the stability and credibility of our macroeconomy and vital to that is the stability of the dinar," he insists. "Without macro stability, there would be no investment at all."

External debt



Net foreign direct investment



Up for sale: the government's prime privatisation candidates

At a time when the stalling of the peace process has the Jordanians worrying about where to find stable export markets and where to get investment to upgrade their economy, the sale of state assets looks the best book both for foreign investors and an estimated $6bn in Jordanian capital held abroad.

The government, after selling off a number of hotels, has yet to devise a rounded strategy. After August's revolt against IMF-backed bread price rises, it is also conscious that privatisation should not be seen to widen the growing income gap between rich and poor, and should serve to bolster the hard-pressed middle classes. In principle, therefore, future buyers and private operators will be required to keep at least 25 per cent of their equity in the market to broaden the base of ownership. The placement of shares with company employees is being studied, and proceeds from the sales will partly go towards social safety nets ranging from housing to pensions.

Among the state assets being reviewed for private sale are:

- **Telecommunications Company** The TCC monopoly ends in 1998, and private mobile telephone operators already have 8 per cent of the market. Last month, it was turned into a stockholding company capitalised at JD250m. The government is seeking a strategic partner for 26 per cent of TCC, with the rest offered on the stock market.
- **Jordan Electricity Authority** JEA was converted into a stockholding company in September. The government is poised to invite tenders for independent power generation projects prior to privatisation.
- **Water and transport** The government will privatise the Aqaba Railway Corporation and public bus companies and will invite private investment in transport and water projects.
- **Jordan Cement Factories** The state owns 49.5 per cent of Jordan Cement and is looking for a strategic partner from at least six applicants, among them Lafarge of France and Holderbank of Switzerland.
- **Arab Potash Company (APC) and Jordan Phosphate Mines Company (JPMC)** The state holds 55.3 per cent and 42.4 per cent in APC and JPMC respectively. No decision on these highly profitable and strategic assets, has as yet been made, partly because of the pan-Arab shareholding structure, but officials say "they will be studied".

Politics: by David Gardner

Storms at the 'oasis'

Recent events have raised doubts about the king's system of government

About a year ago, King Hussein returned to Jordan to find that his then prime minister had erected a monumental statue to him outside his office – built in North Korea and with Ozymandias dimensions to match. The King, himself a subtle man, politely thanked him, but ordered its immediate removal.

But if he thought that artifact might seem provocative, its swift replacement by an obscure monument resembling a sheaf of wheat is unbeatable for its poor timing. For the new prime minister, Mr Abdel-Karim Kabariti, and the Hashemite monarchy he serves, in August had to face down a revolt against a more than doubling of bread and wheat prices implemented as part of an IMF-backed restructuring programme.

The rioting forced the King to suspend parliament and send in élite units of his army. It was the biggest domestic challenge the regime had faced since similar riots in 1989 against IMF-agreed fuel price rises.

Just like then, it was not citizens of Palestinian origin – easily 60 per cent of the 4.3m population and seen as the country's most serious security concern since the 1970-71 civil war with the Palestine Liberation Organisation – who rose in revolt. It was the ethnic or "East Bank" Jordanians of Bedouin origin, the bedrock of the king's army and administration.

The king quickly brought the situation under control. Few, in or outside Jordan, took seriously his claim that Iraqi agents were behind the unrest. The origins of the discontent are domestic.

Put simply, Jordanians were promised that the deeply unpopular 1994 peace with Israel would raise incomes, whereas it has failed to deliver any "peace dividends". Although government cutbacks and structural economic reform would have had to happen anyway following near economic collapse at the end of the 1980s, the ensuing hardship and widening of the gap between rich and poor is associated with the king's enthusiasm for closer links with Israel, and his volte-face last year on Iraq, after refusing to join the US-led alliance against President Saddam Hussein's 1990 invasion of Kuwait.

To keep peace with Israel, moreover, the authorities have had to tighten their grip on the "guided democracy" that the King has touted as a model for the region. This democratic experiment, with an elected parliament including the fundamentalists of the pan-Islamic Moslem Brotherhood, still makes Jordan an oasis of liberalism in a desert of dictators and despots. But it is under heavy pressure, especially with the peace process now at a halt.

The ferocious fighting in September on the West Bank between Israeli troops and Palestinian security forces is still reverberating through the kingdom. It prompted the King – the Arab leader who has done most to build bridges towards Israel – to warn that the extremism of the government of Mr Benjamin Netanyahu could tip the region into disaster.

"With the events in Palestine," warns a former Jordanian prime minister, "the frustration of the Palestinian population [in Jordan] is becoming equal to that of the 'east bankers'. That is very, very dangerous."

But, for the moment, the system has shown its resilience.

August's discontent initially crystallised around the Brotherhood's Islamic Action Front (IAF). The IAF became the biggest party – with 34 of 80 seats – when the King responded to the 1989 riots by restoring parliament, dissolved in 1957 after pan-Arab nationalist agitation. In the 1993 elections, the IAF was whittled down to 16 seats, as the regime nervously changed voting procedures to ensure more loyalist tribal grandees were elected.

But after the August events, the King appears to have recognised that the IAF – which grouped around it just over half Jordan's fragmented political spectrum in a call for Mr Kabariti's resignation – was a factor in the system's resilience, a loyal opposition that helped keep the outbreak within manageable bounds.

Subsequently, in the face of Israeli obduracy towards the Palestinians, King Hussein has been strident in his criticism of Mr Netanyahu, often foreshadowed in his remarks by Crown Prince Hassan, his younger brother and heir to the throne.

All of this taken together has led Amman's rumour-driven political salons to expect a change of government.

After the 1989 riots, the King immediately dismissed his then premier. This time, however, he has stood firmly by Mr Kabariti. The ambitious prime minister is closely associated with the turn towards Israel and away from Iraq, and is carrying out an economic reform policy to which the regime is firmly committed. But one function of the premiership, within a political élite that rotates frequently, is as lightning rod for the monarchy. "Most of the criticism of Kabariti is in fact directed at the King," observes one leading politician.

He, and others like him, believe the King will dispense with Mr Kabariti and seek a new, "more national and nationalist" administration, possibly with more Palestinian-Jordanians in its ranks. While few such scenarios are without self interest, they at least have ample precedent to draw on. And King Hussein will need more than his Bedouin troops and intelligence services to batten down the hatches against the storms ahead.

Relations with Israel: by Judy Dempsey

Fences may not mend

It seems the accord between the kingdom and Israeli leaders died with Rabin

When Mr Benjamin Netanyahu was elected prime minister of Israel last May, Jordanian officials chose their words carefully. Unlike the other Arab states, which viewed Mr Netanyahu's election with more than trepidation, believing the peace process begun five years earlier at Madrid was in jeopardy, Jordan preferred to wait.

"We wanted to give Netanyahu the benefit of the doubt," one senior Jordanian official explains. "Until then, we had high expectations – perhaps too high – about the peace process."

That those expectations were not justified seems to have been confirmed in recent months by the breakdown of Jordan's special relationship with the Israeli government.

Over the years, King Hussein of Jordan forged a particularly close relationship with Mr Yitzhak Rabin, the former Labour prime minister assassinated by a far-right wing Jew a year ago. "We honestly felt he understood not only our needs but, more importantly, the Arab world," a Jordanian official says.

Even though Egypt was the first Arab country to sign a peace agreement with Israel back in 1979, Jordan's links with Israel were in fact closer, culminating in a peace treaty in 1994. Jordan's borders were opened; trade improved. And although there were many outstanding issues to be resolved – most notably the future status of Jerusalem – Jordan felt it had a reliable partner in Mr Rabin. His death, and the subsequent election of Mr Netanyahu, created a vacuum in relations between Jordan and Israel. It is one that Mr Netanyahu's conservative Likud-led coalition seems unable to fill.

Two examples serve to illustrate the deterioration of trust. Just days before Mr Netanyahu announced his decision to expand the Jewish settlements in the West Bank last September, Mr Dore Gold, one of Mr Netanyahu's closest advisers, visited King Hussein to discuss the slow pace of the peace process. Not a word was said about the settlements. The day after Mr Gold returned to Jerusalem, the settlement decision was announced. A few weeks later, Mr Gold returned to Amman but did not tell King Hussein of Mr Netanyahu's decision to open a tunnel exit close to the Al-Aqsa Mosque in Jerusalem. The next day, the tunnel was opened, a move that sparked off violent demonstrations and fighting between Israeli and Palestinian forces.

The king (right) and Netanyahu...Jordan's early optimism has given way to public criticism Reuter

Jordanian officials, who in the past conveyed their opinions on any sensitive issues through diplomatic channels, this time chose to criticise the Netanyahu government publicly. The fact that Israel dismissed – initially – such criticism, was, according to Jordanian officials, indicative of the way the Likud government perceived Jordan and the Arab world. "Likud is not sensitive to Arab needs or Jordan's," a Jordanian official said. "Rabin understood them."

Those needs are considerable. The peace process is not only about legitimating Palestinian self-rule, or the establishment of a civil society and administration in the West Bank and Gaza, or the development of a new security architecture in the Middle East: for the Jordanians, it is the tool that will help resolve a complex range of issues.

These issues include the fate of Palestinian refugees in Jordan, the kingdom's status in relation to the Holy sites in Jerusalem and its relations with the West Bank. And since 70 per cent of Jordan's population is Palestinian, Amman can ill-afford to have unstable relations with either the Palestinians in the West Bank, who are far from united in their policies towards Jordan, or Israel.

Yet the way the Netanyahu government has conducted foreign policy with Jordan and the Arab states has, ironically, galvanised the Arab world against Likud. And, regardless of the gap between rhetoric and substance, it has brought it closer to Mr Arafat, the president of the Palestinian Authority who, over the years, has had a difficult relationship with his Arab kin.

Last month, King Hussein made a visit to the West Bank town of Jericho – his first since 1967 – as a show of solidarity to the fledgling Palestinian state and as a demonstration of his anger with Mr Netanyahu.

Since that visit, it has been left up to Mr Ezer Weizman, the president of Israel, who himself has been outspoken about the Netanyahu government and the dangerously slow pace of the peace process, to try to mend fences with Amman. But for Jordanian officials, bringing relations between Israel and Jordan back on an even keel depends precisely on the peace negotiations yielding results. The omens, so far, are not good.

■ **Banking:** by Alexandra Capelle

Firm line on tough policy

Fiscal tightening and consolidation of its sector dominate Central Bank thinking

Jordan's Central Bank continues to be committed to its tight monetary policy, aimed at keeping the lid on inflation, unofficially estimated at 6 to 7 per cent, increasing domestic savings and protecting the Jordanian dinar against "dollarisation".

While the strategy seems to hava been successful, hankers say all-time high interest rates have affected investment and growth.

A senior Central Bank official concedes that economic growth has been affected but says that lack of demand for the dinar means there is no alternative to maintaining ths policy.

The CBJ is determined to strengthen faith in the dinar after the crisis of 1989, which led to a 45 per cent devaluation of the currency – a memory still painfully present for most Jordanians.

Despite lending rates of around 13 – 16 per cent and deposit rates hovsring around 9 per cent, some 40 per cent of bank deposits – or about $3bn – are still held in foreign currency.

Althoogh growth in dollar deposits is not as strong as in recent years, hitting only 3.8 per cent in the first eight months of 1996, compared with the same period last year, growth in dinar deposits – 2.4 per cent – remains lower in comparison.

A 5 per cent margin between US dollar and dinar deposit rates is designed to discourage dollarisation.

"Our policies are supposed to be a guarantee to the investor and credibility is increasing," says the Central Bank governor, Mr Zyad Fariz. "But if they want to keep their dollars, let them pay the price."

At the same time, the CBJ is still struggling to build sufficient foreign reserves to comply with International Monatary Fund requirements. Whareas cash reserves this year ($550m to $600m) are worth two months of merchandise imports and are close to the 1996 IMF target, in the long-run Jordan needs to raise them to levels worth three months of merchandise imports ($900m).

Ths CBJ monetary policy does appear to have succeeded in controlling credit expansion – without regulatory limits since 1993 – through its interest rate policy. It projects that credit granted by banks should this year be significantly lower than in 1995. In the first nine months of 1996 bank lending increased JD237m compared with an increase of JD457m for the whole of last year.

High rates of 9.5 per cent offered by the CBJ on certificates of deposits have dried up large amounts of Jordan's cash liquidity. "A lot of banks are seriously short of dinars, which has pushed up rates for mooths," a foreign hanker says.

Mainly responsihle for a rise in total net profits in the banking sector from JD100m in 1994 to JD122m last year were the larger commercial banks, such as Arah Bank and Housing Bank, which saw profit increases of JD10m and JD4.5m respectively. In contrast, smaller investment banks generally stated flat profits or losses.

Last year's chief objective for the Central Bank was the consolidation of the fragmented banking sector – made up of 21 foreign and commercial banks with more than 400 branches.

To encourage mergers, minimum capital requirements were raised from JD5m to JD20m. The new minimum was supposed to be effective from the end of this year, but, in view of difficulties emerging for many banks, an extension until mid-1997 has been granted to those already holding capital of JD15m and more.

Three of the smaller banks look unable to raise capital to JD15m hy the end of this year and could consequently face penalties from the Central Bank. To avoid such a scenario, Philadelphia Investment Bank is currently looking for a partner. Similarly, Amman Investment Bank might soon agree to a takeover by Arab Bank.

So far, only one merger has materialised. The union of Jordan National Bank and the Business Bank has created Jordan's third largest bank. With capital of JD22m, the new concern, which will operate under the name of the Jordan National Bank, will rank only behind Arab Bank (JD44m) and Housing Bank (JD25m).

The Central Bank is also keen to develop private capital markets by combining the still separated commercial and investment banking into comprehensive institutions. Specialised credit institutions, such as Industrial Development Bank and Housing Bank, are to be integrated into the commercial banking sector. This should make them less dependent on external financing and subsidies.

In the longer term, another problem facing the CBJ, says Mr Fariz, is the possihility of a separate Palestinian currency. The subsequent pressure of the redemption process is expected to increase speculation against the Jordanian dinar: the Palestinian West Bank currently holds an estimated $1.2bn in deposits, of which 42 per cent are in dinars – nearly a third of overall dinar circulation.

As a defence against dinar redemption, a $300m fund has been established by the CBJ. But, according to one banker, "economically, politically and practically the Palestinian currancy does not pose an immediate threat as it will need some time to gain credibility and become an alternative to the Jordanian dinar".

■ **Tourism:** by Alexandra Capelle

Few reservations about the future

Despite recent falls in bookings, international hoteliers remain confident

Rare tranquillity: on peak days, visitors to Petra can number 4,000

Lord Byron's pilgrim Childe Harold longed for the desert in order to forget the human race.

Today, he might find even the desert over crowded.

The cootemporary traveller has difficulties in grasping the appeal places such as Petra had to last century's visitors, who found the rock-carved city remote, exotic and mysterious.

Jordan's sites still capture the imagination, but much of their mystery is now dastroyed hy loud tourist groups. In Petra, pedestrian and horse "traffic jams" block the narrow, channel-like entrance called the Siq.

Despite government measures restricting daily visitors to 2,500 and high entrance fees, Jordan's main tourist attraction has been somewhat overrun in recent years.

Jordan's tourists have more than doubled in the past five years, following the end of the secood Gulf War and the beginnings of the peace process.

There were a record 1.1m visitors last year and, after a long lull, the government and private Investora are rushing to get their share of the profitable tourism cake. In 1995-1996 some 45 new hotels with 8,200 beds and a total capital investment of JD133m were approved by the government, adding to the current number of 156 hotels in the country.

The tourism sector, the country's third largest foreign currency earner aftsr expatriate remittances and mineral exports, contributes an estimated 10 per cent to gross domestic product and brought in revenue of $700m last year. It was expected to top the $1bn mark this year.

But much depends on regional stability. Israel's bombardments of Lehanon in April, Jordan's bread riots in Angust, instability in neighbouring Iraq and the latest flare-up of Israeli-Palestinian violence last month have all affected tourism.

According to hotel managers and tour operators the sector has suffered an estimated 40,000 hotel booking cancellations and a decrease of 40 per cent in tours in the last few months.

"Until March, we were doing very well and we expected 1996 to bring higher occupancy because of peace results," says Mr Chawki Ayouh, manager of the Inter Continental in Amman. "Usually Octoher and November are very good months, but we have already had 125 cancellations."

At an industry confereoce last month, the mioister of tourism, Mr Saleb Irsheidat, said: "Tourism in Jordan has beeo declining in the past six months and there are no signs pointing to improvement for the rest of the year, largely due to political developments in the Middle East."

Royal Jordanian, the country's natiooal carrier, has seen 26,000 seat cancellations for the September 1996 to May 1997 period. According to Dr Majdi Sabri, RJ's vice president for commercial affairs, the number of passengers from the US has plummeted by 50 per cent since the election of ths hardline Likud government in Israel last May.

Not scared away as easily, however, are investors in the exploding number of hotel developments. Most of them expect political tensions to fade in the next two years and anticipate a peaceful, open region at some stage in the future, creating opportunities for cross-border regional tours from Syria down to Egypt.

"There is a good reason for people going into the hotel business in Jordan," says Mr Ayoub. "Once people can circulate freely there is great potential."

The construction of new hotels poses a big challenge to the government in terms of infrastructure development. Electricity, waterpipes and phonelines have not yet found their way to areas such as the Dead Sea or the south beaches of Aqaba.

Mr Irsheidat gives the example of Petra, where the government has been unable to keep up with the pace of construction, and new hotels have been asked to provide their own water treatment plants. Inadequate support and complicated rules on acquiring land in new development areas such as Aqaba have fuelled criticism of the government in the private sector. Investors also complain about the lack of an aggressive promotion strategy to lure both tourists and investors. Nevertheless, projects such as the JD26m construction of a new 5 Star Deluxe Four Seasons hotel in Amman, to be completed in 1999, are going ahead.

The risk of the kingdom becoming "overhotelled" is generally played down. According to a feasibility study undertaken by the management consultants Arthur Andersen international for the Four Seasons project, the doubling of 5 Star Deluxe hotel rooms in Amman by the year 2000 should stimulate overall demand, leading to increased differentiation between the budget sectors and the premium end of the market.

Provided the country's economic liberalisation process goes ahead and, more importantly, the peace process does not deteriorate any further, most investors can remain optimistic about the potential of Jordan's tourism sector to become the country's leading industry.

And optimism prevails. As Dr. Sabri puts it: "As loog as you have faiths on earth, people will come and visit the Holy Land."

■ **The Stock Exchange:** by Alexandra Capelle

Sure but silent revolution

The reforms needed to attract foreign capital are being made – albeit quietly

The Amman Financial Market – Jordan's stock exchange – is having another disappointing year, crushing investors' hopes that last year's Middle East Economic summit in Jordan would fuel an equity investment boom.

Late implementation of reforms and new regulations, continued regional instability, record-high interest rates and shaken market confidence have pot tremendons pressure on prices throughout the last nine months. However, the clouds could be lifting. Ths kingdom is increasing its determination to speed up market liberalisation following International Monetary Fund adjustment guidelines and a radical restructuring of the stock market is part of the package.

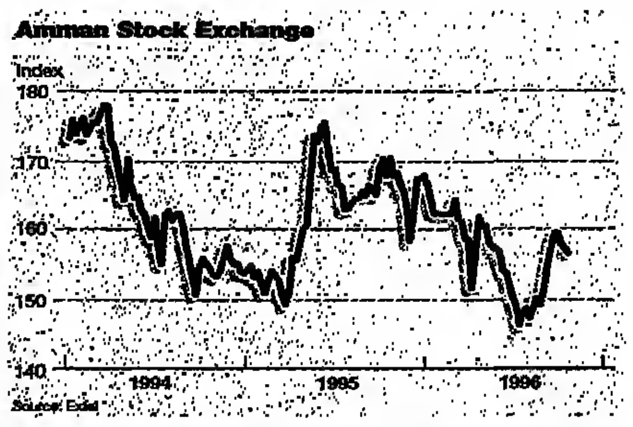
The Amman Financial Market has been missing out on foreign capital flows into the Middle East, with a forecast of a mere $25m in total annual foreign flows this year, compared with an estimated $700m for Egypt.

The AFM general index fell from 159.2 at the close of 1995 to a three-year low of 136.8 in July 1996 and is currently hovering around the 146 mark. Annual turnover fell further from JD495m in 1994 to JD419m last year, with turnover for the last 10 months at JD170m, a drop of 52 per cent compared with the same period last year.

Record-high interest rates of up to 16 per cent have been holding the stock market hostage, squsezing liquidity as investors spurn shares for bank deposits, treasury bills and real estate. A significant rise in corporate profits, expected to increase by 28 per cent in 1996 according to the AFM, is mainly due to rising profits in construction, industry and mining, which are doing significantly better than other sectors.

A low free float of shares makes much needed foreign investments difficult, with attractive listed companies such as Arab Bank – responsible for a third of market capitalisation – having already reached the foreign ownership ceiling of 50 per cent. Other big success stories, such as Housing Bank, Arab Potash Company and Jordanian Phosphate Mines Company, have minimal free-float capacities left.

"It means that foreigners are very restricted in terms of what they can buy," says Mr Angus Blair, head of Middle East and North Africa Markets at ING Barings.



Mergers and faster privatisation – which would help increase capital flows, give a greater choice of available stocks and allow for bigger investments – are high up on the lists of foreign investors demands.

Five leading privatisations – among them the Telecommunications Company and the Jordan Electric Authority – are in the process of implementation this year. Currently, the government is inviting hids from foreign cement companies for a key holding in its Jordan Cement Factories Company.

But this year's figures show as yet little investment response to the government's efforts. Although Jordanian stocks are cheaper this year than last, with the average price/earnings ratio currently at 14.2, down from 16.5 last year, analysts say that corporate earnings are still lower and the market more expensive than many other competing emerging markets.

Critical to any growth will be a much faster implementation of reforms to liberalise investment rules.

"People on the ground see a lot of movement but the foreign investor's attention is diverted to neighbouring countries," says Mr Omar Masri, managing director of Atlas Investment Group. "A sort of silent revolution is taking place in Jordan in terms of the reforms – they are finally happening."

Mr Masri forecasts that it will take a good three to six months before foreign investors recognise the changes.

The first measures aimed at encouraging foreign investment were taken in late 1995. And earlier this year a new bylaw facilitating foreign investment, an investment law and a tax-cutting law for local corporations were passed in an effort to increase the extremely low liquidity of the market. Other laws expected later this year should provide further stimuli.

The response, however, has so far disappointed. "In terms of the expected inflow of foreign investments, nothing substantial happsned," says Mr Mohamed Tash, general manager of National Securities, a subsidiary of Jordan's Business Bank. Apart from problems specific to Jordan, Mr Tash blames an ebb in the global cycle of interest in emerging markets for the lack of investments.

However, the most important reform for the market is yet to come. By the end of this year, a new securities law, designed to loosen the state's grip over the exchange and to give faster and clearer presentation of company results as well as computerise trading activities, will be implemented. The government intends to separate ths AFM into a watchdog "Securities Exchange Commission" and the privately run "Amman Stock Exchange".

■ **Natural resources:** by Alexandra Capelle

Support for 'backbone' of the economy

Joint ventures should guarantee the continued strength of the minerals industry

Jordan's minerals industry, the backbone of its economy, is set for steady expansion as new joint ventures, more added-value from downstream production and increased foreign interest develop it further.

Jordan's most important minerals – phosphates and potash – are largely responsible for the significant rise in the country's merchandise exports from $1hn in 1993 to $1.77bn in 1995 and for an estimated sectoral earnings growth of 44 per cent this year.

The two main forces of the industry – the Jordan Phosphate Mines Company (JPMC) and the Arab Potash Company (APC) – are trying hard to capitalise on expanding world demand. The two companies are involved in seven downstream projects as well as their own plant expansion programmes, which should raise combined annual upstream capacity to 12.1m tonnes by the end of the millennium.

JPMC is the world's second largest exporter of rock phosphates (after Morocco) with 4.2m tonnes. It expects a total revenue of $340m to $350m in 1996, compared with $323m last year.

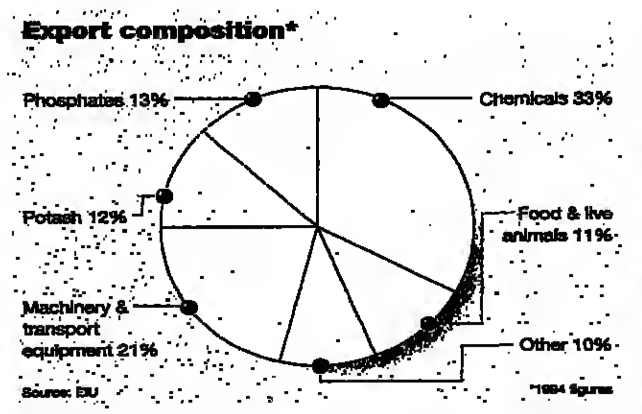
Tha company is not producing at its full 7m tonnes capacity bnt, according to JPMC's managing director, Mr Sameh Madani, growing interest for Jordan's environment-friendly phosphates from Western Europe could change that, with potential new annual orders of up to 1.5m tonnes.

Earnings this year wera boosted by a higher quantity of sales and the rock phosphate price increase in 1995. However, despite continuously strong demand for the raw material, the company's strategy over the last years has been to strengthen its position by concentrating on downstream activity.

"Due to the marketing situation, we realised that we couldn't continue as sellers of rock phosphates only, otherwise we would be vulnerabls to any changes in the world market so we decided to go for diversification or downstream," Mr Madani says.

The company, which set up its own fertiliser complex in Aqaba in 1982, hopes to ensure steady growth by three downstream joint ventures.

In Decemher this year, construction for a 220,000 tonnes phosphoric acid plant will be completed by the Indo-Jordan Chemicals Company. The $170m project will export exclusively to India.



A similar project is expected to start production at the Nippon-Jordan Fertilissr Company hy mid-1997. The $80m compound fertiliser plant based near JPMC's Aqaba plant will reserve its 300,000 tonnes mixed fertiliser production for the Japanese consortium, which owns 60 per cent of the venture.

Not yet finalised is a joint venture project with Norsk Hydro of Norway, which intends to hold a majority stake in a 440,000-tonne phosphoric acid plant at Shidiyeh and a fertiliser plant at Aqaba. Investment costs are estimated to be $400m.

Like JPMC, APC, is finding new strength. It increased its net profits to $60m last year and raised output, sales and export earnings to record levels. In the first half of 1996, the company's revenue rose by 10 per cent and net profits hy 14 per cent compared with the same period in 1995.

The positive results are because of an 16 per cent rise in sales prices and a 10 per cent increase in sales volume, boosted in particnlar by fast growing Asian demand. Jordan is the world's sixth biggest potash producer, with the Asian market representing over 75 per cent of APC's total sales.

APC, like JPMC a listed pan-Arab company with majority stakes owned by Jordan, has reached its current capacity maximum of 1.8m tonnes. Even though prices and sales are up, the end of 1996 should see the same results in net profits as last year because of the higher cost of fuel, electricity and labour.

Apart from completing its sacond expansion stage, which will raise production capacity to more than 2.1m tonnes by 1999 in a $160m investment, APC is busy preparing to build an industrial potash plant with a 100,000 tonnes-per-year capacity. Contracts for the $9m plant wsre earlier this year awarded to Mannesmann and Messo of Germany. Production of the industrial and pharmaceutical exports should be up and running by late 1997.

APC and JPMC, as part of the public shareholding company, Jordico, are furthermore involved in four joint venture operations.

Starting production this month is the Industrial and Tahle Salt project, worth $25m, with an annual capacity of 1.2m tonnes of industrial salt and 32,000 tonnes of table and water-softening salt.

The other three projects are: a $90m Magnesium Oxide project producing an estimated 60,000 tonnes per year by early 1999; a potassium sulphate and di calcium phosphate project in Aqaba with a capacity of 75,000 tonnes and estimated cost of $80m; a bromine and derivatives project in a 50:50 joint venture with Israel. Details of the last project are still confidential, but it was decided that the $80m-100m plant will be on the Jordanian side of the Dead Sea.

By contrast, projects in the oil and gas sector remain much more difficult to get off the ground.

Negotiations on a proposed $2.5bn oil refinery in Aqaba were suspended last month, according to the Ministry of Energy and Mineral resources, as the Corporate Holdings of America (CHA) consortium, one of three interested parties and the first pre-qualified for ths project, failed to fulfil obligations specified in a letter of intent last June. The plant, supposed to be built on a build-operate-transfer (BOT) basis, would have brought Jordan $200m in annual royalties.

Another large project is a joint venture liquefied natural gas deal involving an Israeli consortium, Near East Energy of Jordan and Enron Corporation of the US, which has rights to exploit Qatari gas reserves.

The $300m project remains extremely tentative, however, largely because of geopolitical sensitivities.

MANAGEMENT

Tony Jackson on The Witch Doctors, an attempt to make sense of the changing fashions in gurus

Hocus focus

The snag about management books, from the author's point of view, is that there are so many of the damned things around. To stand out on the bookstall you need a snappy title and an accessible theme. Perhaps most of all, the publisher needs to convey a sense of threat to the passer-by which can be dispelled only by buying the book.

On these criteria alone, *The Witch Doctors* deserves success. Its pitch is deftly laid out in the subtitle: "What the management gurus are saying, why it matters and how to make sense of it."

Management theorists, the preamble tells us, are today's version of Shelley's poetic "unacknowledged legislators". Not only do they lay down the law, but they have the power to mess around with our lives. Only through studying their methods can we deflect their sinister force.

The reality of the book is a little different. John Micklethwait and Adrian Wooldridge have indeed studied the gurus, and tedious work they must have found it. But as experienced journalists – both from The Economist – they know better than to recreate the experience for their readers. Nor, indeed, do they insist on their thesis beyond the opening pages. The growing power of gurus and consultants, they concede, is mainly a response to events. The real culprit is change and uncertainty in the wider world.

Thus, only a few chapters are devoted to the gurus themselves. At the outset come the heavyweights: Peter Drucker, described as the one management theorist who is required reading for every educated person; and Tom Peters, whom the authors regard as flaky but interesting.

Towards the end comes a chapter on the lightweights, among whom it is good to see Edward De Bono and the Tofflers, along with smaller fry such as Laurie Beth Jones, author of the ineffably titled *Jesus CEO*. In between, *The Witch Doctors* is – well – another book on management.

As such, it is not bad at all. In their review of management theory, the authors start with an observation of Drucker's: that at the heart of the modern corporation lie the twin principles of uncertainty and knowledge.

Uncertainty, in this view, is the central problem: the fact that in changing times no corporate structure or business theory will hold good for long. Knowledge, on the other hand, is the answer, since the only lasting asset in uncertain times is intellectual capital.

Running parallel to this is a second theme: that management theory consists of an uneasy equilibrium between two conflicting schools, the hard and the soft. The first is Taylorism, which says production is a master plan for use by idiots. The second might be termed Toyota-ism, which says efficiency comes from liberating the minds of the workers.

Because of this, the authors argue, management theorists keep sending out conflicting messages. Companies are told to be "flexible" – that is, sack people – and to win their employees' trust. They are urged to focus on quality, and also on speed. They must have a vision, and they must be ready to change direction at a moment's notice.

On balance, the authors are softies. They have little time for re-engineering, one of the most reviled management innovations in recent years, describing it as an attempt "to adapt Taylorism to the age of the computer".

Besides, they say, re-engineering concentrates on how a company produces, not what. It can be a prescription for making the wrong things perfectly.

More generally, the authors come across as mild sceptics: which, given their reading habits, is probably the key to sanity. Talk of upheavals in work practices, for instance, is largely dismissed. "The most horrifying thing about the 'future of work' may be just how similar it will be."

Globalisation, at least in the old-fashioned sense, is shrugged off as a myth. It is simply not true, they say, that the same products can be sold anywhere. As for making them anywhere, tell that to the film studios which try to emulate Hollywood.

On the stakeholder/shareholder debate, they point out – justly – that it has been somewhat overtaken by events. It is no longer true that the Japanese or German models of corporate control perform better. When it comes to creating high-tech industries, nasty old shareholder America is miles ahead. Conversely, looking at the grosser examples of boardroom opulence in America, it may be that shareholder power has not been taken far enough.

Most of this represents the authors' own view of life, as opposed to that of the gurus. But there is one chapter in which the opening thesis is forcefully re-addressed. This examines the malign influence of management theory on the public sector, in the US and UK in particular.

It is easy to see why public servants, on both left and right, should embrace the gurus. Public service has fallen in general esteem, and stealing management's clothes is an attempt to win it back. Besides, managers are supposed to be cost-cutters, and there is never enough in public-sector budgets to go round.

But as the book points out, customers and citizens are different things. We may be customers of state-run railways and gas companies: but not when we pay taxes or are conscripted into the army. Besides, the public sector is by its nature slow-moving. It therefore risks being landed with the exploded five-year-old theories of the private sector.

Indeed, five years is a long time in management. There is nothing deader than an old guru's view of the future. But that, doubtless, is all part of the authors' plan: five years on, look for *Witch Doctors: The Next Generation.*

The Witch Doctors *is available from FT Bookshop by ringing +44 181 964 1251 or fax credit card details to +44 181 964 1254 (post and packing £1.50 in Europe)*

TECHNOLOGY

Motorists get a breath of fresh air

Frances Barthorpe on the manufacturers' response to increasing demand for air conditioning in cars

Motorists dread getting caught in a traffic jam with the sun beating down and no means of keeping cool. In such situations it is not only tempers that rise. As cars sit idling on the tarmac, the levels of exhaust fumes, and hence pollution, go up, leaving motorists with the choice of winding the window down and breathing in pollution, or sweltering with the window shut.

With temperatures predicted to rise by between 1°C and 3.5°C during the 21st century, things are unlikely to improve. No wonder demand for air conditioning in cars is increasing.

A recent survey by DRI/McGraw-Hill for Ford revealed nearly that a third of all UK respondents would consider air conditioning when choosing their next vehicle. The figure for German respondents was nearer 60 per cent.

By the end of the century, it is predicted, nearly half of new cars being produced each year in Europe – or about 7.1m cars – will have air conditioning, compared with just 3.16m in 1994.

Since automotive air conditioning was first introduced in North America 56 years ago, design and development costs of the components have come down considerably. Mass production combined with the development of more compact, cheaper units for the smaller-capacity engines in European cars allowing air conditioning to be fitted in a much greater range of cars.

Increased volume is a big factor when it comes to cutting costs, says Larry Campbell, Ford's climate control subsystems manager for small and medium-sized cars at its factory in Cadez, France. "Five or 10 years ago the air conditioning installation rate in cars was about 3 per cent. Now volumes are much higher, manufacturing costs are dropping."

The heart of an air conditioning system is the compressor. Ford uses a "variable scroll" type which, it says, combines excellent noise, vibration and harshness characteristics with durability. According to Ford it also minimises the effects of air conditioning on fuel economy, and eliminates the clotch surge often experienced in small cars.

Koen Devitz, responsible for marketing at Delphi Harrison Thermal Systems, says the main developments in the future will be on the compressor side. "The target will be smaller cars, like the Astra and the VW Golf. So the compressors will need to be more compact, providing better fuel economy, and ease of operation," says Devitz.

Canadian-based REG Technology is developing an automotive air conditioning compressor based on its patented Rand Cam rotary engine design. The new positive displacement compressor is half the size of the units now used and provides up to 20 per cent more cooling capacity.

Another area of development will be more sophisticated filters, cutting out dust, pollen and other particulates to improve the quality of the interior air. But better sensors are needed to achieve this.

In July this year Warwick University was selected to co-ordinate an Eculm Europe-wide project, designing high-technology sensors to help monitor both the level of air pollution generated by vehicles and the air quality in the driver's cabin.

Julian Gardner from the university's engineering department will lead the project, which includes Fiat; VDO, the German car sensor component company; and universities in Germany, Sweden and Switzerland.

Warwick will be developing a version of its "electronic nose" – sensors comprising conducting polymers and semiconducting oxides. The ultra-low power sensors will be capable of using the normal car power supply. Fiat expects to have the prototype sensors installed in 1m cars by the end of the decade.

According to Devitz, "multi-zoning" will also be appearing in top-of-the-range cars within the next 10 years. "This will enable one side of the car to be kept at a temperature of, say, 22°C and the other side at 25°C," says Devitz.

Two other developments are likely. The first is in the area of automatic temperature control. Today 40 per cent of factory-fitted air conditioning systems use manually adjusted thermostatic controls. But over the next few years ATC is expected to become more widely available.

The second development is likely to be in alternative refrigerants. Two years ago, because of environmental concerns over the use of chlorofluorocarbons (CFCs), the R12 refrigerant used in air conditioning systems was replaced by the more expensive CFC-free R134A. Although less harmful than R12 it has also been proposed that this should be banned by 2030. So the search is on for other alternatives.

In July, US-based Technical Chemical Company launched its alternative to R12, Johnsen's Freeze 12. "It requires no expensive vehicle conversion and is much lighter and less costly than R12," says Larry Easterlin, TCC's vice-president of sales and marketing.

In the UK, Normalair-Garrett announced recently that it had devised the world's first air conditioning system for trains using air-cycle refrigerant technology. This uses air as a refrigerant instead of chemical refrigerants.

A number of studies have been carried out on the feasibility of applying similar technology in the automotive industry.

Frances Barthorpe writes for Professional Engineering

Sponsorship/Antony Thorncroft

The need to keep good company

These are tense days for the UK's arts sponsorship industry. Unless some last minute lobbying bears fruit, the Budget on November 26 is likely to include among its smallest print another £500,000 cut in the government's contribution to the Pairing Scheme, which has proved such a great stimulant in persuading business to sponsor the arts.

Last year the grant was cut by £500,000, to £5m with a similar reduction earmarked for 1997-98.

For the Association for Business Sponsorship of the Arts, which administers the scheme, such a reduction would be disastrous. Director Colin Tweedy is contemplating closing down a regional office, probably Wales, if the funds are cut.

However, Tweedy is hopeful that the success of tha scheme will cause a last minnte change of heart by Virginia Bottomley, the heritage secretary.

In its 11 years it has encouraged business to give £97m to the arts, and last year's re-jigging of the guidelines, designed to persuade companies to commit for longer and to stress access to the arts, has revitalised tha operation.

This year four aponsors – Toshiba at the ICA; Visa with the London Film Festival; RJB Mines with the National Coal Mining Museum; and Mastercard with National Music Day – all attracted the new, increased, £75,000 top up, thanks to their own commitment of £150,000, or more, to the cause. If tha grant is cut the substantial £75,000 incentive will probably be rednced.

To date, arts sponsorship in the UK has held up well, despite the pressure on companies from arts organisations to help them with the partnership funds needed to secure Lottery money. When the sponsorship total for 1995-96 is announced shortly it could even show a slight rise on the record £82m of the previous year.

Companies are obviously reluctant to bow to the government's wishes and assume the role of major partnership funder of Lottery projects.

★

As the changes in the Pairing Scheme acknowledged, the problem with sponsors is that they are inclined to be short-termist. On average they will support an arts company for three years at most and then become bored: the novelty, and the newsworthiness, palls.

It does not have to be this way. A long term commitment can bring great rewards, most obviously to the arts organisation but also to the sponsor who gains in pride and prestige. This is certainly the case with Midland Bank, which has just celebrated 25 years supporting the Proms at the Royal Opera House with eight cut-price performances of Wagner's *The Ring*, ending tomorrow night, and with Shell, which is embarking on its 21st year of backing the Shell-LSO Music Scholarship.

This is the most important prize for budding young professional musicians in the UK (the BBC Young Musician, sponsored by Lloyds, seeks to uncover soloists) and most of the winners now lead orchestral sections: five are prominent in the LSO itself. The 1997 competition is seeking a woodwind player and 350 under 21s will get the chance of working with LSO professionals even if only one takes the scholarship.

The programme costs Shell £130,000, and to celebrate the anniversary it is once again sponsoring the LSO's only UK tour, from December 2, with concerts under new principal conductor Sir Colin Davis in Manchester, Newcastle, Glasgow and Aberdeen. The tour will cost Shell £200,000. Next year there will be two additional concerts to promote previous past scholarship winners, which will add another £150,000. Fortunately, Shell seems eternally wedded to the scholarship, which has attracted 5,000 young musicians since 1976.

Over the last week young people have been able to make up their minds about Covent Garden's new(ish) *Ring* for £15 as against the £132 price of a ticket for a good front seat – thanks to the Midlands Proms. Over the 25 years of the sponsorship, the Midland has pumped £3.5m into the Opera House Proms, creating the audience of the future. Research suggests that 37 per cent of those attending have never visited the ROH before and just over a half are under 30.

★

Arts companiea should never despair: there are always new companies discovering the attractions of sponsorship, or extending their commitments.

Selfridges has got involved for the first time, pledging £50,000 towards the Serpentine Gallery over the next three years, while planning initiatives in other arts sectors. As is so often the case, the arrival of a new managing director, Vittorio Radice from community conscious Habitat, sealed the deal.

In return for backing shows at the Serpentine, including the recent Richard Wilson exhibition, and the first when the Serpentine re-opens late next year after its facelift, he wants to bring more art into the store. The Serpentine will advise on this, and on window displays.

Theatre/David Benedict

'Buried Treasure'

"It's a pity the flames didn't claim you. Still, there's always hell."

Burning down a church may not appear on the official list of the Seven Deadly Sins but as far as Robert, the local vicar is concerned, it probably weighs in at Number 8. In David Ashton's whimsical *Buried Treasure*, the people of a remote Scottish seaside town have narrow views and long memories and when long-lost son and former arsonist, Frank McColg, returns, they aren't about to forgive and forget.

Not that he appears to give a toss. In addition to riling the townsfolk and Linda, his former lover, by his mere presence, he's intent on taking up where he left off, running a disco in the local dance-hall.

The promise of Saturday night shenanigans isn't exactly manna from heaven to the outraged townsfolk, nor their vicar, particularly since, off-duty, he's Linda's husband. In the midst of this collision between past and present, Frank remains undeterred. Like Charlie in Chris Hannan's excellent *Shining Souls* at the Traverse earlier this year, he's looking for his soul.

Passions may be running high, but Ashton pursues his goal beneath a light, comic surface. The play feels more like a short story, the predominantly comic mood effortlessly suggested through oblique, picturesque characterisation. The tone is well set up in the slightly drifting first half, with Collette O'Neil in fine fettle as the feisty, marvellously suggestive Sadie, an elderly woman who has set up home in Frank's abandoned hall, dispensing succour and sharp retorts as the fancy takes her. Problems set in with the second half as events take over and the plotting begins to run ahead of the writing.

The disco turns into a disaster and revelations come thick and fast. We're unprepared for the sudden pitch into melodrama as lust and sins of the father are laid bare and loose ends are tied up in a rush of activity. Ashton abandons his sardonic tone and opts instead for full-throttle confrontation. Robert loses his rag and, in an ecstasy of loathing, reveals what really happened the night Frank set the church on fire. But Frank's immediate understanding of his recaptured memories and their implication is too swift and simplistic.

Robin Lefevre's Bush Theatre production boasts neat performances. Alexander Morton lends feckless Frank a shabby but oddly touching quality and Jennifer Black copes well as the underwritten Linda, a woman forced to make the best of a bad job but stung into life by the reappearance of her childhood sweetheart. Standing on the pier of Tanya McCallin's atmospheric set, they reminisce about illicit activities a room away from an ever-present father. "Thank God he loved his Mantovani records." Even they cannot redeem the final scene of romantic hope against adversity but at its best the play, however slight, shows Ashton unafraid to raid with appealing and unfashionable warmth.

Lyric Studio, Hammersmith until November 16 (0181-741 2311).

Collette O'Neil, Alexander Morton and Anthony J O'Donnell in 'Buried Treasure'

Concerts/Andrew Clark

Orchestral contrasts

One of the rewards of living in Londoo is the chance to compare, week after week, the qualities and playing styles of all the foreign orchestras who seem to queue up to play here.

Such an opportunity arose on consecutive evenings this week. The two orchestras were the Danish National Radio Symphony and the Czech Philharmonic – neither a huge box-office draw on their own, but each with a tradition of championing their countrymen's music on British soil. The attraction, therefore, was not so much the Beethoven concertos which lay at the heart of each programme – fascinating as these performances were, with highly esteemed and idiosyncratic soloists – but the music of their own national schools.

And no national school has been better preserved than the Czechs'. Notwithstanding the long-running problems which have left it without a chief conductor in its centenary year, the Czech Philharmonic sounded in excellent shape on Tuesday night at the Royal Festival Hall. Its performances of Dvořák's Seventh Symphony and Janáček's *Taras Bulba* had all the qualities that make e Czech orchestra playing Czech music such a pleasure.

It is not just the unmistakeably Bohemian character of each section, the dancing violins, the warmth of the lower strings, the euphonious glow of the horns, the idiomatic songfulness of the woodwinds; what distinguishes this orchestra is the way all these qualities find their context in a harmonious whole.

This was particularly true of the Dvořák, which opened the programme. There was nothing obtrusive in any of the detail, and yet each phrase and paragraph yielded a defining characteristic: the lyrical fluency with which flutes and strings announced the opening movement's second theme, the unmannered voicing of instrumental parts in the *Poco adagio*, the sense of proportion in the scherzo, the cheeky little ritardandos in the finale, giving a spring to the phrasing which only a native of Prague could get away with. That none of this appeared to have been superimposed by the conductor is a tribute to Libor Pešek and his understanding of the orchestra's (and the music's) innate qualities.

Apart from some charmless phrasing at the start of the slow movement, Pešek's reading had ideal warmth and symphonic thrust, and his Janáček was hugely imposing. With its complex rhythms and tempo changes, *Taras Bulba* is hard to pull off: this performance combined seamlessness, spareness and majesty. The encore was Oskar Nedbal's *Valse triste*, a Bohemian *bonbon* which Pešek treated with Beechamesque flair.

At the Barbican the previous evening, the Danish National Radio Symphony Orchestra did not have the benefit of a Danish conductor – nor, judging by its performances of symphonies by Bent Sorensen (b.1958) and Nielsen, does it have a distinctive personality. Its music director, Ulf Schirmer, unfolded Sorensen's *Symphony* with German efficiency and brought a calculated logic to the second movement fugues of Nielsen's Fifth. But the playing was no more than competent.

This is a sad indictment of an orchestra which did so much to establish Nielsen's name in this country before the CD age (through its pioneering performance of the Fifth Symphony at the 1950 Edinburgh Festival and a Nielsen cycle in London in the late 1960s). At Monday's concert, the Fifth sounded depressingly matter-of-fact. Schirmer ironed out all sense of mystery from the first movement – noisy air-conditioning didn't help – and turned the great crescendo into a parody of expressionist battle music. Nor was there much joyous impulse in the second movement.

The DNRSO can take credit for bringing a work by a living composer, but Sorensen's 22-minute *Symphony* turned out to be neither Scandinavian nor properly symphonic. After a few pages of Sibelian desolation, it emerged as a medley of styles, filtered through an interminable wash of glissandos. The Danes accompanied Joshua Bell in a gorgeous-sounding account of the Beethoven Violin Concerto – so gorgeous, in fact, that the music lost all momentum under the weight of Bell's poetic self-absorption. The Czechs provided solid support for Mikhail Pletnev in the First Piano Concerto: no rhetoric, no showmanship, but insouciant control, crystalline evenness and a personal stamp on every phrase.

The Czech Philharmonic's second Festival Hall concert, organised by the Royal Philharmonic Society, is tomorrow.

Linehan brings hope and joy to 'Happy Days'

In Samuel Beckett's *Happy Days*, drama is stripped to its sheerest essence. We observe the gradual extinction of a body; of a mind; of language.

We also observe the remnants of a marriage, a marriage in which we hardly know which counts for more: the impenetrable and separate solitudes of woman and man, or their mutual dependence. Do they need each other, or to be quit of each other? Are they happy to live, or do they long for death?

The play shows contradictory and ambiguous impulses. Bleak though this is, *Happy Days* is life-enhancing; and, by the way, deeply funny.

There is no play of the twentieth century I find more marvellous. During the 1990s, I have seen it in three different productions; I love it more each time; and this production – directed by Karel Reisz, featuring Rosaleen Linehan as Winnie, reaching the Almeida Theatre last night from Dublin's Gate Theatre (it was also shown in New York in August) – is the best I have seen. It makes the play seem brighter and larger than ever.

Winnie, middle-aged, is buried, in Part One, up to her waist in scorched earth, under a burning sun; in Part Two, up to her neck. Willie, who seldom appears, turns out to be older, and baldpated. The ageing nipple, wed to the aged penis? Certainly the way the play shows that the sexual instinct is among the last to vanish (in Willie) is among its most marvellous jokes. Bells pierce the air now and then; and we know that, on one level, Winnie and Willie are ending their days in some kind of institution.

But Willie seldom gives voice; whereas Winnie talks, talks, talks. His hearing is failing; so is his ability to communicate; so is her memory; and she knows the day approaches when words fail too. "Why then just close the eyes – and wait for the day to come – the happy day to come when flesh melts at so many degrees and the night of the moon has so many hundred hours." And it is in her great monologues that the human spirit becomes most luminous.

Much of the time we know she is merely looking on the bright side ("That is what I find so marvellous") where there is none; but not always.

For her very resurgence is brightness enough, and so too is her preparedness for death. Yet Beckett also injects the play – how much I have never understood until this production – with moments of bitterness, doubt, alarm, and scorn. When Willie makes his final appearance, crawling up the mound towards her, she is dismissive, shocked, tender, curious. "Is it me you're after . . . or is it something else?" Beside her, indeed, is a revolver.

There is much more plot to this play, though buried deep, than I had realised before Reisz's tremendous production.

Tim Hatley, designing, has turned Winnie's scorched mound into an earthy promontory: the result is thrilling. And Linehan, even though one may question individual decisions about line-readings, carries the evening.

A superb account of a supreme play. Comedy and pathos, existential grandeur and satiric pettiness, hope and despair, pour from her in a steady stream, perfectly phrased.

Alastair Macaulay

Almeida Theatre, London N1, until November 9 (0171-359 4404).

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Nederlands Philharmonisch Orkest: with conductor Hartmut Haenchen and pianist Markus Groh perform works by R. Strauss and R. Schumann; 8.15pm; Nov 3, 4, 5

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Mouton Rothschild: exhibition featuring "cases" of Château Mouton Rotschild, with designs by Braque, Moore, Alechinsky, Miró, Chagall, Picasso, Warhol, Kirkeby, Baselitz and Bacon; from Nov 2 to Dec 8

OPERA
Het Muziektheater Tel: 31-20-5518117
● L'Orfeo: by Monteverdi. Conducted by Stephen Stubbs, performed by the Tragicomedia & Concerto Palatino and the Vocaal Ensemble. Soloists include John Mark Ainsley, Juanita Lascarro and Brigitte Balleys; 8pm; Nov 4

BARCELONA

EXHIBITION
Museu Nacional d'Art de Catalunya Tel: 34-3-4237199
● The Splendour of Baroque Painting: exhibition featuring 56 works from the museum's collection, allowing the public to follow the evolution of the different styles of the 16th, 17th and 18th centuries, from Mannerism to Rococo. Artists represented include Tintoretto, El Greco, Rubens, Tiepolo, Fragonard, Ribalta, Ribera, Velázquez, Zurbarán and Viladomat; to Nov 15

BASEL

ART & ANTIQUE FAIR
Messe Basel Tel: 41-61-6862020
● TEFAF Basel 96: 125 dealers from 12 countries are represented at the second edition of this international art and antique fair which features paintings, drawings, prints, books and other art objects from the classical antiquity to the present; to Nov 3

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Rundfunk-Sinfonieorchester Berlin: with conductor Lawrence Foster and pianist Elena Bashkirova perform works by Haydn, Bartók and Enescu; 8pm; Nov 3

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Beatrice di Tenda: by Bellini. Conducted by Marcello Viotti, performed by the Deutsche Oper Berlin. Soloists include Vladimir Chernov, Lucia Aliberti and Octavio Arevalo; 8.30pm; Nov 3

BILBAO

EXHIBITION
Museo de Bellas Artes Tel: 34-4-4419536
● Anglada Camarasa. Sus ambientes: exhibition featuring 450 works by Anglada Camarasa, the majority of which come from the artist's collection; to Nov 3

BRUSSELS

EXHIBITION
Musée d'Art Moderne Tel: 32-2-5083211
● Het Legaat Irène Scutenaire-Hamoir. Van Magritte tot Magritte: exhibition of the entire collection of the late Irène Hamoir-Scutenaire. The collection, which was bequeathed to the museum in 1994, features 292 works by Surrealist artists such as Mariën, Mesens, Eemans, Graverol, Simon and Magritte. The latter artist is represented by 107 works, including 23 paintings; to Dec 22

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Orchestra of St John's Smith Square: with conductor John Lubbock and pianist André Watts perform works by Prokofiev, Beethoven, Mendelssohn and Haydn; 8pm; Nov 4

DUBLIN

EXHIBITION
National Gallery of Ireland Tel: 353-1-6615133
● William J. Leech (1881-1968), an Irish painter abroad: a retrospective exhibition of works by William J. Leech. It brings together over 100 works and explores the artist's drawings, watercolours and paintings, the majority of which are in private hands and little known; to Dec 15

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Koninklijk Concertgebouw Orkest: with conductor John Eliot Gardiner and mezzo-soprano Anne Sofie von Otter perform works by Weber, Berlioz and Schubert; 3.30pm; Nov 3
Royal Festival Hall Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Leonard Slatkin, mezzosoprano Catherine Wyn-Rogers, tenor Justin Lavender, bass Anthony Michaels-Moore and the Philharmonia Chorus perform Elgar's The Dream of Gerontius; 7.30pm; Nov 3

DANCE
Peacock Theatre Tel: 44-171-314-8800
● Parfumes de Tango: this show choreographed by Miguel Angel Zotto and Milena Plebs and performed by the tango company Tango por Dos opens the newly refurbished Peacock Theatre (formerly the Royalty Theatre), Sadler's Wells' temporary home; 8pm, Sat also 3pm; to Nov 2

OPERA
London Coliseum Tel: 44-171-8360111
● Rigoletto: by Verdi. Conducted by Noel Davies, performed by the English National Opera. Soloists include Peter Sidhom, Janice Watson and Jean Rigby; 7.30pm; Nov 2, 5
Royal Opera House – Covent Garden Tel: 44-171-2129234
● Götterdämmerung: by Wagner. Conducted by Bernard Haitink and performed by the Royal Opera. Soloists include Vivian Tierney, Ann Murray and Gillian Webster; 4pm; Nov 2

MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● Der fliegende Holländer: by Wagner. Conducted by Peter Schneider, performed by the Bayerische Staatsoper. Soloists include Luana DeVol, Marita Knobel, Jaakko Ryhänen and Peter Straka; 7.30pm; Nov 3

NEW YORK

CONCERT
Alice Tully Hall Tel: 1-212-875-5050
● American Symphony Orchestra: with conductor Leon Botstein, pianist Stephen Montague and the Yale Glee Club perform works by Ives, Ruggles and Cowell; 8pm; Nov 2

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● La Traviata: by Verdi. Conducted by Maurizio Barbacini, performed by the Metropolitan Opera. Soloists include Arteta, Giordani and Frontali; 1.30pm; Nov 2, 5 (8pm)

PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Acis and Galatea: by Handel. Concert performance, conducted by William Christie and performed by Les Arts Florissants. Soloists include Sophie Daneman, Paul Agnew and Alan Ewing; 7.30pm; Nov 5

VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● David Alberman and Rolf Hind: the violinist and pianist perform works by Reich, Dun, Scelsi and Hosokawa. Part of the festival Wien Modern; 7.30pm; Nov 3

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Philip Stephens

Victory for vision

For all his failings, Bill Clinton offers US voters a better alternative to the atomised society of the new right

When Bill Clinton raises his glass next week, the first toast will be to Newt Gingrich: the second to Alan Greenspan. Never mind that they are Republicans. That is the secret of Mr Clinton's success. The president takes help from wherever it comes. From this, many have concluded his impending re-election hardly matters. They are mistaken.

Mr Clinton will be the first Democrat to win two consecutive terms since Franklin Roosevelt took a long lease on the White House in 1933. So what, the cynics say. His politics are not radically different from those of Bob Dole. The story of how Mr Clinton has filched conservative policies to reinvent his presidency has been written a thousand times.

This version of events is both true and misleading. Hard though it may be to celebrate his personal success, Mr Clinton's victory will count. His enemies are not alone in their doubts about the president's character and the ethics of his administration. He is as flawed as he is engaging. But it is an error to underestimate the voters' repudiation of the Republican alternative. This time Mr Clinton has come out on top in the battle of ideas.

In an era of economic insecurity and social fracture, moderation has triumphed over extremism, morality over the moral majority. The electorate is suspicious of the state. But on balance it has concluded that the centrifugal forces in American society demand a counterweight. Big government no, but enabling government yes.

Mr Dole has played a walk-on part in Mr Clinton's victory. His fumbling campaign, his ties to the tobacco industry (who else still doubts nicotine is addictive?) and his U-turns on tax and affirmative action have exploded the myth that the former Senate leader was the last honest man in Washington. His choice of Jack Kemp as running mate was an ill-judged reminder of the price the nation has paid in increasing budget deficits for Ronald Reagan's tax cuts. The voters have signalled they will not fall for the same trick twice.

But the real losers have been the Republican revolutionaries who swept the Congress in 1994. Mr Gingrich was their messiah. Remember Newt? A year or so ago, the speaker of the House of Representatives promised to remake the political landscape. An immodest man, this high priest of market economics and moral authoritarianism told us he would "shift the planet". Admirers of his 10-point Contract with America spoke as if Moses had revisited Mount Sinai.

The absurdity of Mr Gingrich gave Mr Clinton the space he needed to recast the politics of the Democratic party after two disastrous years. This president takes his chances. He made tough choices (some good; some, as on welfare reform, bad). He abandoned his party's liberals and collaborated with a Republican Congress. The White House strategists called it "triangulation". It worked.

> The president had luck on his side. He entered the White House at just the right moment in the economic cycle. But he also had Mr Greenspan

Mr Gingrich thought he could close down the government. Instead, Mr Clinton closed down the Republican revolution. Now, the only people prepared to give the Speaker television airtime are the Democrats. He is their best advertisement. If they win back the House of Representatives next week (a 50:50 bet), Mr Gingrich is destined for permanent obscurity.

For all the tacking, Mr Clinton has stuck with his party's core values. Except on welfare reform, he has appealed to tolerance and decency against the far right's scapegoating of immigrants and minorities. He cut taxes for the poor through the earned-income tax credit. He will win California in spite of his refusal to back that state's assault on the weak. His ambitious plans for healthcare reform fell victim to the (erroneous) charge that it would nationalise medicine. But he has kept faith with the analysis that America needs to widen access to healthcare.

What really counts, though, is that Mr Clinton has won the argument for affirmative government. The alternative is an atomised society. In his favourite phrase, the task of politicians is to give people tools to make the most of their lives. Government *can* serve the people. It may seem obvious, but this will now become the leitmotif for parties of the centre-left across the industrialised world.

For his second achievement, Mr Clinton's debt is to Mr Greenspan, the septuagenarian chairman of the Federal Reserve. The voters have been prepared to listen to the president, to ignore his flaws because of the performance of the economy. His administration has seen four years of uninterrupted growth, subdued inflation, the creation of more than 10m new jobs and the lowest budget deficit for more than a decade.

The president had luck on his side. He entered the White House at just the right moment in the economic cycle. But he also had Mr Greenspan. It was the Fed chairman who persuaded Mr Clinton that the economic reward of a lower budget deficit would outweigh the political cost of tax increases for the middle classes. The president's shrewd faith in Mr Greenspan has been rewarded with an interest rate policy skilfully calibrated to sustain rising output.

Mr Clinton's success has wider significance. It defies tha reflex that says that the centre-left is irredeemably irresponsible when it comes to economic management. In tackling the deficit, a Democrat president has made a start on clearing up a mess left by Republicans. And he has reaped the rewards. Britain's Tony Blair might take note.

None of this provides guarantees for the next four years. History tells us that US presidents are usually less effective in their second terms. Mr Clinton has yet to provide an honest explanation of the ethical lapses of his administration. The pressures here are likely to get stronger rather than weaker. He has identified the big challenges facing America, but he has come up with some pretty small answers. A $500 per child tax credit, tougher gun control, and more rigorous standards in schools are worthwhile ambitions. They are hardly a substitute for the boldness and risk-taking which stood behind Roosevelt's greatness.

It is here we come to the central paradox behind the Clinton presidency. He is not an uplifting nor a particularly honest politician. But he is a powerful shield against the truly selfish society. The battles he has won are far more important than the man.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Trade pact is committed to liberalisation

From Mr Rubens Antonio Barbosa.

Sir, I read with interest your editorial entitled "Trade blocs" (October 24), as well as the articles related to Mercosul that have appeared in your newspaper this week.

As Brazil is currently holding the *pro tempore* presidency of Mercosul, I feel it would be appropriate to point out that the editorial was too hasty in accepting the conclusions of an unofficial internal study written by a World Bank economist. This study contains inaccurate information and statistics dating from 1994, which apparently question Mercosul's real benefits for its member countries and external trading partners and seems to imply a danger to trade liberalisation, not taking into account that the customs union came into being only in January 1995 following a transition period.

It is puzzling to speak of economic inefficiencies within Mercosul when exports of a wide range of highly competitive goods from Brazil and partners have restricted access to developed areas where trade barriers are raised in order to protect inefficient industries.

It is altogether incorrect to suggest the existence of high tariffs or barriers to commerce with non-member countries when the average Mercosul common external tariff has been substantially reduced in the past five years and is currently at 11.1 per cent, equal to Chile's.

It is also difficult to accept trade diversion as a significant result of Mercosul when trade with non-member countries has grown 163 per cent in the past five years. This can only demonstrate Mercosul's commitment to trade liberalisation and the tremendous benefits reaped by all our partners around the world.

In the discussion of trade and regionalism, the real issue is liberalisation of trade. Mercosul is a success story in open regionalism. Brazil and our partners in Mercosul participate actively in the Committee of Regional Trade Agreements of the World Trade Organisation. What should be expected is the compliance of all regional trade agreements (including, not least, the EU and North American Free Trade Agreement) to the principles and disciplines of multilateral trade.

Rubens Antonio Barbosa,
ambassador,
Brazilian Embassy,
32 Green Street,
London W1Y 4AT, UK

Right price for Heathrow slots

From Mr Gideon Nellen.

Sir, Mr Richard Botwood, the director-general of the Chartered Institute of Transport (Letters, October 30), urges the regulators to consider ways in which Heathrow's limited number of slots can be used for Heathrow's advantage.

Surely the question the government should be asking is how can Heathrow's limited number of slots be used for the advantage of Heathrow and the country as a whole while causing the least environmental damage to London.

If this were the test, then the government would impose an environmental cap on the number of slots available at Heathrow at no more than 5 per cent above the present figure and ensure that slots or landing charges were priced at market clearing levels. In this way Heathrow's pre-eminence in Europe would be secured, London's quality of life would be rescued from further deterioration caused by Heathrow and the nation (rather than the airlines and BAA) would benefit from the huge additional revenue a market pricing regime would generate – estimated recently by The Economist at £500m ($815m) per annum.

Gideon Nellen,
Nellen & Co, solicitors,
19 Albemarle Street,
London W1X 3HA,
UK

The living is not made any easier

From Mrs Lyn Glanz.

Sir, Richard Donkin shows considerable naivety in asking "Now that we have a Channel tunnel is it really so different living in Brussels as opposed to Edinburgh?" (Recruitment, October 25). Greater accessibility to and from continental Europe has little to do with the daily costs of expatriate life.

Such costs include vastly increased telephone and travel bills and paying a premium for goods and services due to a lack of local knowledge and language. These, however, can be dwarfed by hidden costs arising from, for instance, the reduced availability of spouse employment and additional costs for the care for elderly relatives left at home.

Experienced expatriates know the costs of moving abroad cannot be measured in simple financial terms and that each posting will pose differing challenges which are not necessarily affected by proximity to their home country.

Living overseas can significantly alter attitudes. I suggest Richard Donkin's views might be different had he been writing his article as an expatriate in Brussels.

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Lithuania attractive place to invest

From Prof Val Samonis.

Sir, Matthew Kaminski's "Lithuania's old heroes look for new glory" (October 18) correctly assesses the current situation in that country but leaves something to be desired in understanding the past and future Lithuanian policies.

While there were some populist streaks in some Lithuanian non-communist parties' pre-election rhetoric (how else can you win election in the sovietised society?), the record of Lithuanian conservatives and other non-communists speaks for itself. Extending the pre-war tradition of independence of fiscal responsibility, Lithuania recorded budget surpluses in 1991-1992 which by then were almost extinct elsewhere. Also, it carried out a speedy and radical Czech-style, voucher-based privatisation and property restitution.

True, Lithuania was slower to introduce the litas, the permanent national currency, partly due to the misguided influence of the International Monetary Fund, which argued for the retention of the rouble zone as the optimal currency area. The new government is not planning to devalue the litas; it talks rather about sustaining the exchange rate.

The currency board introduced by the Lithuanian ex-communists is somewhat of an inflation-sustaining institution under the conditions of productivity differentials in a dual (foreign versus domestic sector) post-Soviet economy, as it tries to enhance its exports. A theoretical case for this assertion is now supported, for example, by the comparative inflation performance of Estonia and Lithuania on one hand and Latvia on the other.

Therefore, an orderly return to responsible monetary policies under the classical central bank institution, planned by the new government, will not only help inflation-fighting. It will also help Lithuanians acquire macroeconomic policy skills which in turn will speed up reforms.

In sum, the non-communist victory will only make Lithuania more attractive as a place in which to invest.

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Europa · Paul De Grauwe

The sorrow of Belgium

Complacent and unaccountable, the state faces a crisis of public confidence

Belgium has traditionally lacked an image. Countries such as the Netherlands, Switzerland, Denmark, France and Germany evoke pictures that are easily recognised by outsiders. Not so with Belgium, where bourgeois virtues have stood in the way of strong images.

This is changing quickly. Belgium is gaining a reputation for corrupt politicians and the incompetence of its judiciary.

When it emerged in the summer that several girls had been kidnapped and some murdered, some magistrates refused to start an investigation; others left for prolonged holidays. Crucial information that could have led to the arrest of the perpetrators was not used or was kept secret from other investigating agencies.

The murderer, who had been convicted of child abuse, had been freed in 1992 after only three years in jail and immediately resumed his macabre activities. Last month, a populer magistrate who uncovered the paedophile ring was taken off the case by the supreme court, increasing suspicions of a cover-up.

All these horror stories have accumulated over the past few weeks, leading to massive protests which culminated in a march through Brussels by more than 300,000 citizens.

The popular protest has spread beyond the case of the missing and murdered children to become an expression of general discontent about Belgian state institutions. The perception has grown that corruption, incompetence and ineptitude are the organising principles of the political system, the administration and the judiciary. The Belgian state is seen as failing to provide essential public services such as law and order and protection for its citizens.

How could this happen in the most bourgeois country in Europe? The answer can be summarised thus: complacency and lack of accountability.

Mr Jean-Luc Dehaene, the prime minister, exemplifies Belgian complacency. For years he has told journalists he will not attempt to solve problems that cannot be proved to exist. The judiciary was one of these "non-problems".

This attitude also explains why Belgium's government debt is the highest in the European Union. For years, the problem was ignored. One minister once declared that, since the debt had come about automatically, it would disappear automatically. No need to worry.

Just as complacency explains the inaction of successive governments, so lack of accountability explains the disastrous failings of the judiciary. The separation of powers between the judiciary, the executive and the legislative is a great idea. After the absolutism of medieval kings and popes, it certainly helped make justice fairer.

It has, however, also made it possible to develop a judicial system that is completely unaccountable. Unchecked by outside control, judges spend more time fighting each other than administering justice. Any mention of supervision is howled down as an infringement of the sacred principle of the separation of powers.

But pressure to reform the judiciary has been mounting after the recent disclosures of its incompetence. High on the list of proposed reforms are plans to reduce the excessive political influence in the appointment and the promotion of judges. This is certainly overdue.

It will not suffice, however. If the bills introduced in parliament are passed, judges will have to pass an exam in order to be hired or promoted. But if, in the name of the separation of powers, these judges continue to be unaccountable, little will have been achieved. A procedure must be developed to evaluate their performance in administering justice.

The challenge is to develop procedures that make the judiciary accountable to the public without infringing on its independence. This may sound impossible; yet it can be done, as the experience of Belgium's university professors makes clear.

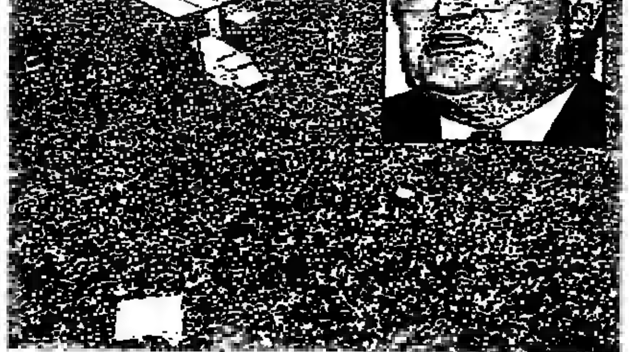
Professors used to hide behind the principle of academic freedom to reject any outside control on the quantity and the quality of their services. This is changing slowly. A Belgian newspaper now publishes yearly rankings of economics professors based on their publications and citations.

The teaching performance of professors is routinely evaluated using surveys of students' satisfaction. What was thought to be impossible turns out to be quite feasible, and is changing the university landscape.

Something similar should be done for the judiciary. Why not survey the satisfaction (or dissatisfaction) of the citizens who use the system? One could certainly ask the "consumers" questions about the speed with which trials were conducted and about the responsiveness of the judges to arguments.

In addition, it should be possible to subject the quality of court rulings to outside expert control. Rankings could be established to give the public some idea of the quality of different courts of justice.

Other methods (and probably better ones) can be devised. They are essential to restore a semblance of efficiency and fairness to the Belgian judicial system, so that the country can return to its happy state of having no recognisable image in the outside world.



Street protest: the government of Jean-Luc Dehaene (inset) has been under attack over the complacency of the state

The author is professor of economics at the University of Leuven and MP for the Liberal party in the Belgian parliament

COMMENT & ANALYSIS

FINANCIAL TIMES

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Friday November 1 1996

A Japanese arrangement

Mr Ryutaro Hashimoto, Japan's outgoing prime minister, appears to have done enough deals to bring his Liberal Democratic party back to power as a minority government, even if he fails to win more backing from independent members of parliament. But the 10-point plan he agreed yesterday with his former coalition partners – to ensure their tacit support – falls well short of being the sort of reform platform that many were hoping for.

At its heart lie proposals for bureaucratic reform, the one issue on which all the main parties in the recent election campaign were agreed. Thus over a five-year period from 1998, the number of government ministries will be reduced, with precise proposals to be drawn up over the next 18 months.

In addition, the parties have agreed to review the electoral system, reducing the number of seats in both houses of parliament; to discuss tax reform; and to seek to improve relations with neighbouring countries.

It is scarcely a radical package. Reform of the heavy-handed and cumbersome Japanese bureaucracy is certainly necessary. But it needs to proceed hand in hand with economic deregulation, to reduce the opportunities for bureaucratic interference. Red tape needs to be scrapped in a host of vital areas, from financial services to telecommunications, and including the labour market, housing, health and welfare. Reform is needed to ensure more domestic competition and more flexibility in the markets, in order to revive the economy from its worst slowdown in 50 years. But there is no mention of such measures in the package.

Given the recovery in the fortunes of the conservative LDP in the elections, with an increase from 211 to 239 seats in the 500-member lower house, some feared it would be too strong to be bothered to press ahead with reforms. In the event, it seems more likely to be too weak. So it will be up to the opposition parties, such as the left-wing Social Democratic party, and the pro-deregulation New Frontier party, to maintain the pressure for action.

The worst indictment of the political establishment was the record low turnout of 59 per cent in the October 20 election. It suggested few expectations of genuine change, whoever came to power. Mr Hashimoto has a reputation as a pro-active prime minister, and he now has a chance to prove the voters wrong. He is due to be presented with a package of deregulation plans by the advisory Economic Council before the end of November. He has much to gain by rapidly putting them into effect.

Shark pool

A new generation of high-pressure sales representatives, using cold calls, is persuading gullible European investors to put their money into currency trading schemes and shares of dubious value.

Many of the perpetrators learned their craft in some of the infamous operations of the 1980s. Since then, cold callers have cleverly exploited new technologies to evade the police and financial regulators.

They have learned to shelter in corporate mazes which take maximum advantage of regulatory gaps and banking secrecy. Investors are contacted by cross-border mail shots or telephone calls.

The companies' bank accounts and administrative offices are in another country, often Switzerland. Investors' funds, once committed, are difficult to track or retrieve because of banking secrecy and the speed of electronic transfer.

Some complaints represent only the disappointment of speculators who belatedly realised the risks, or the fact that commission structures were stacked against them. But even when fraud is suspected, there are difficulties of jurisdiction. Since many companies avoid selling into their local markets, there is less incentive for police or regulators to become exercised.

The EU's Investment Services Directive, under which a company authorised in one country will be given a "passport" into all others, is intended to address some of these problems. But countries are implementing the ISD at different paces and without uniform definitions. For example, "Rolling spot" deals (forward foreign exchange contracts of seven days or less, which are rolled over), used by many cold callers, are not regulated in Germany.

The UK has made the most progress in protecting investors, partly because it has access to tough civil remedies. It was the first to regulate "rolling spot", although applications for permanent authorisation take too long to be decided.

The Securities and Investments Board has shown that it will act against foreign companies calling into Britain, even if such actions are too late to help the losers.

The UK is also right to insist on the licensing of individuals: companies can more easily adopt new identities. Another step would be to explore ways of using public exposure, within the limits of what is possible under confidentiality rules, to warn about sharp operators.

But apart from keeping a tight rein on licensing, raising public awareness of risk and pursuing criminal proceedings where appropriate, European countries should not waste sympathy on "victims". Once the authorities have warned that there are sharks in the pool, it is for investors to decide whether to take the plunge.

Software power

It is a cliché of the media business that content is king. Rarely has this been more evident than in the agreement earlier this week to encrypt the contents of the new generation of mass-market recordings, digital video discs (DVDs).

Copyright owners – the Hollywood studios and record companies – refused to allow DVDs to carry their products in pre-recorded form unless they were protected against piracy. After dragging their feet, consumer electronics manufacturers at last agreed – but too late for a full launch of DVDs this Christmas. A product the industry badly needs has been put back by up to a year.

The growing power of content over hardware was first evident two decades ago, when Sony's Betamax video-recorder lost out to JVC's VHS because the film studios backed the latter. In response, Japan's hardware manufacturers attempted to become software producers too. Sony bought Columbia; Matsushita bought MCA. Both episodes proved expensively unsatisfactory, and Matsushita has now withdrawn.

Not only were the two Japanese parents unable to run their new software businesses well, they were unable to take advantage of the costly access to the creative community that ownership provided. If they had listened properly to their new subsidiaries, for example, they would have been aware of the seriousness of the DVD copyright problem earlier. And if they had made themselves at home in Hollywood, they might have been able to negotiate an earlier compromise.

This episode underlines the consumer electronics manufacturers' unenviable dilemma. The experience of Sony and Matsushita argues against trying to mix hardware and software; yet without some influence over the software business, they will increasingly surrender the whip hand on important aspects of new-product specifications to the content-providers.

There is only one way out of this box: the creation of a new and compelling category of hardware, one which software producers have no alternative but to endorse. Against that yardstick, the DVD does not measure up.

More plausible contenders are interactive on-line products such as WebTV. To break into the mass market, however, these products will need much greater innovation in hardware, software and infrastructure than we have yet seen. And in this market, just as much as in DVDs, content will still play an influential role. Consumer electronics remains a good business – but not quite as good as it was before content providers woke up to their power.

The power behind the throne

Boris Berezovsky · Vladimir Potanin · Vladimir Gusinsky · Anatoly Chubais · Tatyana Dyachenko

Boris Yeltsin

Moscow's Group of Seven

Chrystia Freeland, John Thornhill and Andrew Gowers on the business leaders shaping Russia's future

Every January, an extraordinary collection of politicians and senior business leaders from around the world descends on the Swiss resort of Davos to ski, eat, drink and make deals.

Even by its own standards, however, this year's World Economic Forum was the backdrop for a bargain of unusual significance. Behind the scenes and without the knowledge of other participants, a small group of top Russian businessmen formed an alliance that would reshape their country's future.

They agreed that a communist victory in the summer presidential election had to be stopped at all costs. To forestall such a disaster, it was imperative that President Boris Yeltsin's fading fortunes be revived. One man, they decided, had the talents for the task: Anatoly Chubais, former minister, economic reformer and architect of Russia's privatisation programme.

Their pact was more than the beginning of Mr Yeltsin's political resurrection and ultimate victory in July. It also established a new centre of power in Russia, uniting tycoons who typified the country's new capitalism and who had been savage rivals until this year.

The same tight-knit group of seven businessmen now meets weekly and works closely with Mr Chubais, now the ailing President Yeltsin's chief of staff. Its members portray themselves, quite openly as the main force shaping Kremlin policy.

And the group has placed two of its members – Mr Vladimir Potanin and Mr Boris Berezovsky – in important government positions. This week's appointment of Mr Berezovsky, head of a sprawling business empire comprising car dealerships, TV stations and a bank, as deputy secretary of the Kremlin's Security Council consolidates the businessmen's capture of power.

On Wednesday Mr Berezovsky revealed for the first time in an interview with the FT how the business alliance funded Mr Yeltsin's re-election drive to the tune of about $3m. He described how it appointed a 10-strong campaign team headed by Mr Chubais and also containing Ms Tatyana Dyachenko, Mr Yeltsin's daughter. And he explained why he and his colleagues had concluded they had to join the government to protect capitalism in Russia.

"Before the elections, business realised that if business is not consolidated – if we are not strong and decisive – we will not have a chance," he said. "It is not possible to have this [market] transformation automatically. We need to use all our power to realise this transformation."

Apart from Mr Berezovsky, the group of seven comprises: Mr Potanin, former head of Oneximbank and now first deputy prime minister for the economy; Mr Vladimir Gusinsky, head of the powerful Most banking and media group; Mr Mikhail Khodorkovsky, president of the Menatep financial and oil empire; Mr Peter Aven and Mr Mikhail Friedman of Alfa Bank; and Mr Alexander Smolensky of Stolichny Bank. Their six enterprises, according to Mr Berezovsky, control about 50 per cent of the economy.

By the accounts of several of their number, these men were intimately involved in every step of Mr Yeltsin's re-election campaign and the subsequent political manoeuvring. They engineered the alliance between President Yeltsin and Mr Alexander Lebed, his presidential rival, after the election's first round – without which, said Mr Berezovsky, the president would have been "unable to win decisively" in the second.

The businessmen's proposal that Mr Chubais be appointed presidential chief of staff was also a logical one. The 41-year-old former privatisation chief was respected by the president; of all Russia's young economic reformers he had shown himself to be the deftest wielder of power; he believed passionately in the market economy and was not over-delicate about how – or with whom – to secure it.

As important, the bankers largely saw themselves as Mr Chubais's creation, since their fortunes were founded on the reforms he introduced. "My position is very natural," said Mr Berezovsky. "I am a product of privatisation. That is why I am so close to Chubais's mentality."

Now, together with the president's daughter, Ms Dyachenko, Mr Chubais serves as the businessmen's conduit to the sick leader. "She is the most effective channel to inform the president," said Mr Berezovsky.

During the elections, the businessmen further entrenched themselves by ousting rival factions from the president's entourage. First to go was the hardline clan surrounding General Alexander Korzhakov, Mr Yeltsin's former security chief and drinking partner. "We had not only to elect a president who would continue reform, but also to cut the right wing and the left wing," Mr Berezovsky said.

With victory secure, it was time to dispense with Mr Lebed, the unruly general who was, in Mr Berezovsky's words, "starting unfortunately to destroy the power". He was sacked by presidential decree last month.

At the same time, the group was debating how to exercise its power. In Russia's infant market economy, members decided, the new moguls had to assume authority in their own right. The banks had to have their men in government.

According to Mr Aven, president of Alfa Bank, it was their collective decision to bring Mr Potanin into the government. "He [Potanin] had the feeling that one of the big bankers had to go there," he said. "He had the support of the other big banks."

The businessmen's reasoning was stark. Even if the threat of communism had receded with the July election, Russia's future as a flourishing and stable market economy was far from secure.

> 'It is very dangerous, because we could easily find ourselves controlled by a new nomenklatura. They are getting new privileges – and eating increases the appetite'

Not only was the president largely out of action pending heart surgery; there was also the risk of serious social unrest, with wage arrears mounting and government finances collapsing. The bankers – several of whom are leading members of Russia's Jewish community – feared they could become the target of an extreme nationalist backlash.

Mr Berezovsky said he thought a nationalist shift was inevitable: "The question is only what price we will pay for it: an ocean of blood or just a cough."

The businessmen's answer is now apparent. They have assembled a remarkable political machine to entrench and promote the market economy – as well as their own financial interests. They not only have significant roles in the cabinet and the Kremlin, they also control Russia's two top television networks, a popular radio station and a growing number of national newspapers – assets they are happy to use to advance their agenda.

"We and the group of Mr Gusinsky were the first who realised how the mass media could assist the different steps we wanted to take," said Mr Berezovsky. "If the media had not been free or private, we would not win elections."

The group of seven see themselves as an embattled elite pooling their efforts to steer Russia through a difficult transition. Other important figures in the country take a different view.

Mr Berezovsky's appointment this week has sparked vigorous protests uniting the communist opposition and Russia's small band of liberal democrats. Critics say the businessmen represent an unelected oligarchy whose rise to power jeopardises the country's chances of becoming a democratic state with an open market economy based on the rule of law.

Mr Sergei Kovalev, a leading human rights campaigner, said: "It is very dangerous, because we could very easily find ourselves controlled by a new nomenklatura ... They are getting new privileges – and eating increases the appetite. This new nomenklatura is insolent and is not subject to any rules."

Mr Grigory Yavlinsky, leader of the liberal Yabloko party, agreed: "Our new regime is reproducing the characteristics of the old system." The new financial and media empires were more than business concerns: "The name is not just banks and television: it is oligarchy and mafia."

The motives of the businessmen may be clear, but what puzzles many is what Mr Chubais is up to. He has won enormous respect in the west for his bold market reforms and integrity, and grudging admiration in Russia for his staying power in government. But today, some of Mr Chubais's oldest friends fear he has made a Faustian bargain.

If so, he almost certainly knows what he is doing. Mr Kovalev, a former dissident and an MP for Russia's Choice, the party Mr Chubais helped found, recalls a conversation a couple of years ago in which Mr Chubais complained bitterly about leading businessmen.

"They steal and steal and steal. They are stealing absolutely everything and it is impossible to stop them," he quoted Mr Chubais as saying. "But let them steal and take their property. They will then become owners and decent administrators of this property."

Mr Kovalev commented wistfully: "From my point of view this is economic romanticism. There is a view that the country will become a market economy and then everything good will follow. Then there will be democracy. In my view it is a very dangerous mistake."

He is not alone in his worries. Mr Yegor Gaidar, Russia's first reforming prime minister in 1991-92 and a close friend of Mr Chubais, voiced the fear in an interview this week that the new Russian brand of capitalism – featuring intimate ties between corporations and the state and restricted markets – could be fatally flawed.

"To tell you the truth, I dislike it," he said. "I know from economic theory that if you try to restrict markets you create the basis for enormous corruption."

· OBSERVER ·

My word is my bondage

■ All over France can be heard the sound of scurryings in attics – the hunt is getting underway for long-forgotten pre-revolution Russian bonds.

The interest is due to Afper, the French association of Russian bond holders. The bonds are aesthetically pleasing but almost entirely worthless, thanks to Lenin and his associates, who reneged on them. Afper's excitement stems from reports that Alexander Livshits, the Russian finance minister, might be thinking of making French bond holders a "symbolic gesture" by handing over some loot.

Afper says the reneging on interest payments and redemption of bonds ruined "hundreds of thousands of investors who had put their trust in Russia". Its case is strengthened by the fact that Russia has already partially reimbursed UK and other bondholders. Moreover, Russia committed itself to doing the same for French investors in 1992.

Afper is a pretty nimble lobbyist. Last year it criticised Anatoly Sobchak, mayor of St [illegible]

Since then it has written to three credit rating agencies, reminding them of Russia's record on bond repayment. The result? Afper's membership grew by more than 2,000 to 8,200 in the last year.

There are an estimated 4m outstanding bonds in France, though it's anybody guess what they're worth. Something between nothing and a huge whack; but in any case, better than a kick in the teeth.

Hard driving

■ Tan Sr Yahaya Ahmad, chairman of Malaysian car manufacturer Proton and new boss of UK sports car specialist Lotus, is a man in a hurry.

One of that dynamic breed of have-it-all entrepreneurs, he's just 50 and looks no more than 30. The son of a Malaysian forestry department official, he studied automotive engineering in the UK, and in the past year has shot to prominence among Malaysia's business community.

His public profile arrived with the acquisition of a 32 per cent stake in Hicom Holdings, the state-controlled industrial conglomerate. Hicom was used to launch a Malaysian motor industry through its Proton subsidiary.

Yahaya has taken the wheel at Proton. But this week he also found himself with an 80 per cent stake in Lotus. The deal, with cash-strapped Italian entrepreneur Romano Artioli was completed in just 20 minutes. The product of detailed advanced planning?

Not at all, says Yahaya. "We were meeting for the first time and Artioli kept struggling to pronounce my name and title in full. He kept doing it and I thought if I don't put him out of his misery we are going to be here all day. So I gave him the money after 20 minutes."

Two to tango

■ The glacial movement of Anglo-Argentine relations inches a millimetre forward on Sunday, with the arrival in the UK of General Martin Balza, chief of the general staff of the Argentine army.

He's travelling to Britain for the highest-level meeting between the two countries' top brass since the 1982 war over the Falkland islands in the South Atlantic.

Argentine diplomats insist Balza harbours no grudge against the British officers who took him prisoner in the Falklands, where he was commander of an artillery group.

The visit's organisers prefer to stress other aspects of the little-known military relationship between London and Buenos Aires, such as the fact that the two countries' soldiers work together closely as peacekeepers in Cyprus, and until recently did so in Bosnia. A Royal naval vessel, HMS Endurance, called last year at Buenos Aires and apparently received a warm reception.

This mutual admiration society might even reach the highest possible plane – a polo match between the two countries' armed forces. Our money's on the Argentines ...

Dollars and sense

■ Farewell frying pan, hello fire. Serge Robert, the French banker who has just been named governor of Bosnia's new central bank, might well consider adopting that as his personal motto.

Robert has the delicate task of implementing the financial side of the Dayton peace agreement aimed at re-unifying the country's two halves, under which the bank should amass sufficient foreign reserves to support a common currency. The Moslem, Serb and Croat-controlled parts now each have their own currency, with the Deutschmark the only one accepted across Bosnia.

Oh, and the frying pan? Robert has just spent the last eight months as senior adviser to the governor of Haiti's central bank.

Financial Times

50 years ago

Nationalisation in France
Newspaper reports in Paris substantiate recent rumours of operational losses suffered by the principal enterprises nationalised during the last 12 months. The position of the National Coal Mines Corporation, which operates all French coal mines, appears especially unfavourable, its monthly deficit being estimated at Frs.900,000,000. A communiqué of the Ministry of Industrial Production admits that disbursements in the third quarter of 1946 exceeded income by some Frs.4 milliards of which Frs.2 milliards represented the cost of State holidays and capital re-equipment. Suggested remedies are an increase in the retail price of coal by approximately 22 per cent or restoration of the Government subsidy.

U.S. Lifting Controls
Rapid progress is being made by the U.S. authorities in issuing the various edicts necessary to terminate Government controls on commodity and food markets. Resumption of futures trading in wheat and lard has been sanctioned at Chicago, and tea has been freed from all restrictions other than general import control.

FINANCIAL TIMES
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Swissair threatens to ditch stake in airline

Sabena crisis averted as unions agree to cuts

By Emma Tucker in Brussels and William Hall in Zurich

A fresh financial crisis at Sabena was averted yesterday as trade unions agreed a cost-cutting programme after Swissair threatened to walk away from its SFr260m ($207m) investment in the Belgian national airline.

Mr Paul Reutlinger, the Swissair-appointed president of Sabena, indicated that if unions continued to disrupt operations, the Swiss company might write off its investment in the company and even relinquish its 49.5 per cent stake.

He said that, if Swissair did not get the hoped-for return on its stake in Sabena, the management would decide not to invest any more and "pull out of the company".

The threat receded after an announcement that Sabena's management had reached agreement with unions on a draft accord to cut BFr2bn ($600m) off wage costs. In return, management will come up with another BFr2.7bn of savings by increasing efficiency between now and 1998.

Swissair's shares fluctuated wildly in response to the day's developments before closing only SFr1 weaker at SFr985. d

Sabena's "Horizon 1998" plan was drawn up by Mr Reutlinger as a way of saving Sabena without alienating the unions. His predecessor, Mr Pierre Godfroid, resigned after unilaterally suspending all collective job agreements – a move which led to extensive disruption by ground and pilot staff.

Yesterday, unions representing Sabena workers agreed to the terms of the plan, but pilots staged a strike that delayed some flights. They wanted to signal their disapproval of the agreement but said they did not envisage any more action in the near future.

The savings would be reached through a combination of a two-year wage freeze, job cuts, changes to working conditions, increased flexibility and internal transfers.

Swissair's fortunes are closely tied to the success of its investment in Sabena which it bought in May 1995. Sabena is supposed to provide it with a base within the soon-to-be-liberalised European Union airline market.

But the investment has failed to live up to expectations and is proving a challenge for Swissair's highly regarded new management team headed by Mr Philippe Bruggisser. Swissair's shares have fallen 27 per cent from a peak of SFr1,345 this year.

Analysts believe it would be very hard for Swissair to walk away from its investment, in spite of its threats, because of its own heavy financial exposure. In addition to taking a stake, the Swiss carrier has provided another SFr160m in a loan to a consortium of Belgian investors in Sabena.

World stocks, Page 34

Tutsis tighten hold on eastern Zaire

By Michela Wrong in Nairobi

Tutsi fighters are on the verge of seizing a swathe of eastern Zaire, putting them in a position to dictate terms to the Zairean authorities.

The country's undisciplined and anarchic army seemed to be heading for a humiliating defeat yesterday as Tutsi fighters advanced on Goma, the capital of north Kivu. Zaire's president, Mr Mobutu Sese Seko, is absent, undergoing treatment for prostate cancer in Switzerland.

The Tutsis were reported to be in control of Goma airport, a key access point for army reinforcements from Kinshasa and the centre of relief operations for more than 1m refugees.

The presence in the area of the Hutu refugees, who fled the 1994 genocide in Rwanda, is deeply resented by the Tutsi regimes in both Rwanda and Burundi, which have been under frequent attack from extremists in their ranks.

To the south, Tutsi Banyamulenge guerrillas took several reporters on a 60-mile tour of the area between Lake Kivu and Lake Tanganyika, demonstrating that a stretch of land from the towns of Uvira to Kamanyola was now in rebel hands.

Mr Laurent Kabila, of the Alliance of Democratic Forces for the Liberation of Congo-Zaire – the name adopted by the Banyamulenge guerrillas – told a Reuters reporter his men had captured Bukavu, capital of south Kivu, and were mopping up resistance by militiamen and former Rwandan soldiers.

Analysts suspect the Tutsi fighters in north Kivu may be members of Rwanda's army. If this were proved, it would lend weight to the theory that a proxy war is being fought in the region between the Rwandan and Zairean armies.

Rwanda continues to deny being behind the fighting, describing it as an internal Zairean problem and refusing to take part in ceasefire talks.

As mortars and artillery fire targeted the outskirts of Goma yesterday, 115,000 Hutu refugees from the camp of Kahindo, 40 miles north of Goma, were heading south.

Aid workers said they were aiming for Mugunga, where 400,000 Hutus make up what has been described as "the biggest refugee camp in the world".

Relief agencies, which this week pulled their international staff out of south Kivu, were on standby to evacuate about 120 expatriate staff but said that they were reluctant to leave while their help was needed by the numbers swelling Mugunga.

Anger over work rule

Continued from Page 1

ensured such measures would not be applicable in the United Kingdom.

However, last March an advocate general of the European Court of Justice made a preliminary ruling that the UK government's challenge of the legality of the directive had no foundation.

The final judgment is scheduled for November 12. In a majority of cases, the court has endorsed preliminary rulings.

Mr Major plans to campaign in the British general election, expected next May, on a platform that he will scupper the IGC unless the directive is "disapplied" in the UK.

The government will attempt to delay the directive's effect in the UK by citing the need to prepare.

But it has agreed it will not be seen to be breaking the law.

Malaysia

Continued from Page 1

Maybank, which will inevitably compete with the new entity. But analysts said the government, which has a substantial indirect stake in Maybank, persuaded it to sell its 75 per cent holding in Kwong Yik.

A proposed merger earlier this year between the local Pacific Bank and the Malaysian operations of Singapore's Oversea-Chinese Banking Corp has yet to be finalised.

Hashimoto clears way for minority LDP government

By William Dawkins in Tokyo

Mr Ryutaro Hashimoto seems certain to be elected next week for a second term as Japanese prime minister, at the head of a one-party minority government.

Mr Hashimoto moved a step closer to forming a government yesterday when his Liberal Democratic party finalised a policy accord with its two former coalition partners.

Members of parliament will probably elect Mr Hashimoto by a narrow margin at an extraordinary session of the lower house next Thursday. The conservative LDP is likely to govern alone, with its two former partners offering parliamentary support on the issues outlined in the policy accord.

That would make the next government more coherent than the previous disparate alliance of conservative LDP plus leftwing Social Democratic party and centre-left New Harbinger party.

However, the position of a one-party LDP government would be so precarious that it would be able to pass only uncontroversial legislation. That suggests a host of pro-business proposals could be delayed, including the lifting of a ban on holding companies, the break-up of Nippon Telegraph and Telephone and cuts in corporate taxes.

Mr Hashimoto's progress on bureaucratic reform will probably determine how long his government will be able to hang on to power.

The prospect of another weak government contributed to yesterday's 1.04 per cent decline in the Nikkei 225 average to 20,466.86. It has fallen 2.34 per cent, or 491 points, in the past two days.

Yesterday's accord commits the next administration to a 10-point plan, the main highlight of which will be proposals to streamline the number of government ministries in the five years from early 1998, when the bureaucratic reform proposals are due to be submitted to parliament.

The need to reduce the size of Japan's powerful bureaucracy was the keynote of the campaigns of all the main parties in the October 20 election. The LDP fell just short of a majority at the polls, winning 239 seats in the 500-seat lower house of parliament.

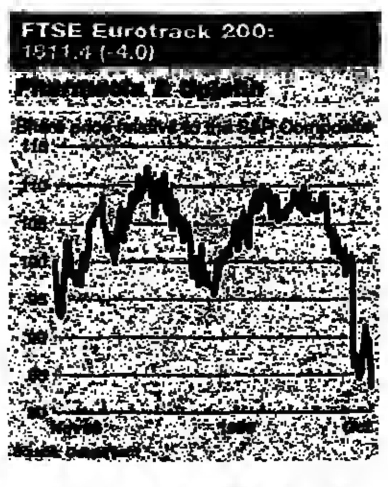
This most recent minority government, under Mr Tsutomu Hata in early 1994, lasted just two months, the shortest-lived in Japanese postwar history. Mr Hashimoto's next government is expected to last longer than that, if only because the current opposition is more fragmented and disorganised than was the LDP during its year-long stint in opposition until mid-1994.

Editorial Comment, Page 15

THE LEX COLUMN

Curing Pharmacia

Born a stock-market star a year ago, Pharmacia & Upjohn is losing height with alarming speed. Over the past three months the drugs group has seen its shares fall by a fifth, giving up much of the rise that greeted the 1995 merger of Sweden's Pharmacia with Upjohn of the US. The performance leaves a particularly bitter taste since Volvo, the original owner of the Swedish half, sold a $2bn share stake in July.



The group's problems were evident in yesterday's poor third-quarter results, which showed underlying sales growth of only 4 per cent. Many of P&U's older medicines have lost their patents and are under pressure from cheaper generic rivals. Unfavourable exchange rates will hit this year's earnings. And with eight therapeutic categories, P&U is spreading its research and marketing effort too widely.

None of that is new however. Meanwhile, the $500m cost-cutting programme is on track and there are fresh products on the way. Treatments for glaucoma and colorectal cancer have already been launched and a promising incontinence drug should be on sale in 1998. Shares in Rhône-Poulenc Rorer, another merged drug company, have jumped 85 per cent over the past 12 months as investors have switched their attention from cost savings to its new products. That illustrates the potential if P&U can make a similar transition. On just 14 times next year's forecast earnings, a 40 per cent discount to its US peer group, the shares are worth buying.

Shell

However one looks at it, Shell's third-quarter results were disappointing: when oil prices are buoyant, a 7 per cent drop in underlying earnings is conspicuously unimpressive. Part of the problem, as always with Shell, is presentational: stripping out hidden one-off oddities would make the figures look less grim. Nonetheless, the underlying reality is clear: a sparkling upstream performance is being continually dragged down by lousy returns downstream and in chemicals. To be fair, Shell is under no illusions about the problem and is doing something about it. The planned US downstream alliance with Texaco would be a big step forward. And in chemicals, some large recent joint ventures – with BASF in polyethylene, and with Exxon in petroleum additives – suggest Shell is not asleep on the job.

The snag is that such prospects have already sent the shares to dizzy heights: Exxon still looks pricier, but Shell now commands higher multiples of earnings and cash flow than more or less any other oil stock. If the company delivers everything investors are hoping for, such a rating is credible. But the potential for disappointment is obvious. Shell's snail-like progress in rationalising European refining is not encouraging. And although the group's cash pile is absurd, investors cannot rely on getting their hands on it – especially if Shell ever delivers the step-up in capital expenditure it has long promised. Shareholders should consider taking profits.

Body Shop

After the rude growth of youth and the anguished introspection of adolescence, Body Shop is beginning to show signs of maturity. The tortured debate over whether to take the company private appears to have had a cathartic effect, refocusing a management which had shown signs of losing its way. Late in the day, it has remembered that it is first and foremost a retailer, even if it is also involved in manufacturing and distribution.

Yesterday's results were encouraging: earnings per share beat market forecasts, rising 29 per cent. The continued strong growth in Asia was also a timely reminder that the brand has considerable potential. Just as relevant, though, was evidence that the group is taking steps to improve profitability in its more mature markets. At the moment, only 30 per cent of visitors to stores make purchases. And those that do have a low average spend. Initiatives to improve the design of the shops, and a significant pruning of product lines, should improve these figures. Moreover, progress in the US, where the company continues to make losses, will be assisted by the appointment of a retailer as chief executive.

On valuation grounds, the company's shares are attractive. Earnings growth should outstrip the sector over the next few years. But on a forward price/earnings multiple of 13, the shares stand at a discount of about 20 per cent to other retailers. Any re-rating, however, is likely to await news of progress in the US.

UK underwriting

It would be churlish not to welcome an initiative which helps erode the fixed commissions that characterise equity underwriting in the UK. Schroders' decision to put out to tender a portion of the sub-underwriting of the £220m Stakis rights issue saved the company £400,000, or 5¼ per cent of its underwriting costs. The exercise underlined that there is no justification for fixing commissions regardless of the risks associated with raising capital.

Large companies with strong credit ratings will doubtless welcome an initiative which promises to reduce their cost of capital. But their smaller brethren have reason to be nervous, since Schroders' initiative seems likely to reveal that the status quo means less risky offerings in effect subsidise their riskier counterparts. Smaller companies are likely to find themselves the victims of this more deregulated environment. Yesterday's initiative went off smoothly, but it had been flagged well in advance. The more testing scenario will be when there is less demand for the stock. In that case underwriters and sub-underwriters may well, rightly, demand higher commissions. Of course, Schroders' initiative is clearly an attempt to bolster the status quo and buy off the Office of Fair Trading. For instance, if the approach works for a third of the issue, it is difficult to see why it could not work for the whole. But now the genie is partly out of the bottle, there will surely be no going back.

Additional Lex comment on Stakis, Page 23

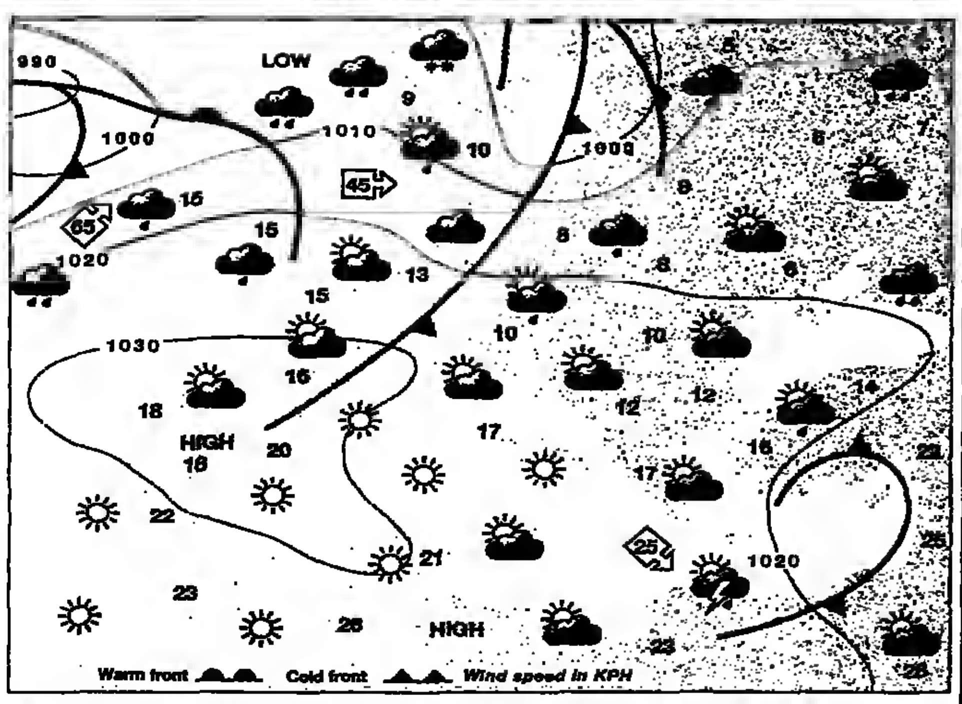
FT WEATHER GUIDE

Europe today

There will be rain and showers over most of the British Isles as a frontal system approaches. The rain will be particularly heavy in Scotland. The Benelux and Germany will stay rather cloudy with rain or showers over Germany. Most of France will have sunny periods although the Mediterranean coast will be sunny. The Iberian peninsula and southern Italy will have plenty of sun but patches of cloud are expected in northern Italy. The Alps will have some showers. The Balkans are expected to be sunny and dry.

Five-day forecast

More rain and showers are expected over western Europe as a series of depressions moves into the continent. Each disturbance will be accompanied by strong winds. High pressure will provide plenty of sun over most of the Mediterranean and over eastern Russia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES (Maximum Celsius)

City		City		City		City		City		City	
Abu Dhabi	sun 31	Beijing	fair 13	Caracas	cloudy 30	Faro	sun 22	Madrid	sun 18	Rangoon	shower 33
Accra	shower 32	Belfast	shower 14	Cardiff	shower 14	Frankfurt	rain 14	Majorca	sun 20	Reykjavik	snow -6
Algiers	sun 22	Belgrade	fair 13	Casablanca	sun 22	Geneva	cloudy 14	Malta	sun 21	Rio	shower 28
Amsterdam	cloudy 13	Berlin	rain 13	Chicago	cloudy 4	Gibraltar	sun 19	Manchester	rain 15	Rome	sun 20
Athens	fair 18	Bermuda	fair 25	Cologne	rain 13	Glasgow	rain 15	Manila	shower 31	S. Frsco	sun 21
Atlanta	sun 27	Bogota	shower 18	Dakar	sun 32	Hamburg	rain 12	Melbourne	fair 15	Seoul	fair 17
B. Aires	fair 23	Bombay	sun 32	Dallas	cloudy 14	Helsinki	rain 8	Mexico City	fair 24	Singapore	shower 33
B.ham	rain 15	Brussels	fair 13	Delhi	sun 31	Hong Kong	fair 29	Miami	fair 30	Stockholm	rain 5
Bangkok	shower 34	Budapest	fair 10	Dubai	sun 31	Honolulu	fair 30	Milan	fair 16	Strasbourg	shower 15
Barcelona	sun 18	C.hagen	shower 11	Dublin	shower 15	Istanbul	fair 14	Montreal	shower 4	Sydney	fair 21
		Cairo	sun 25	Dubrovnik	shower 17	Jakarta	fair 32	Moscow	fair 5	Tangier	sun 22
		Cape Town	sun 23	Edinburgh	rain 14	Jersey	fair 15	Munich	rain 18	Tel Aviv	sun 24
						Karachi	sun 32	Nairobi	fair 29	Tokyo	shower 22
						Kuwait	sun 34	Naples	sun 17	Toronto	fair 8
						L. Angeles	sun 19	Nassau	fair 29	Vancouver	sun 12
						Las Palmas	sun 26	New York	cloudy 8	Venice	fair 14
						Lima	fair 21	Nice	sun 18	Vienna	shower 12
						Lisbon	sun 20	Nicosia	shower 22	Warsaw	rain 8
						London	fair 16	Oslo	fair 9	Washington	cloudy 12
						Lux.bourg	cloudy 12	Paris	fair 15	Wellington	cloudy 12
						Lyon	fair 18	Perth	cloudy 27	Winnipeg	cloudy -3
						Madeira	sun 24	Prague	fair 11	Zurich	shower 13

RECRUITMENT

Richard Donkin meets a Brazilian who believes that freedom at work is a recipe for results

Welcome breath of laisser faire

Ricardo Semler breezed into the annual conference of the Institute of Personnel and Development in Harrogate last week, enlivening a programme dominated by the colourless language of new management.

Semler, president of Semco, the Brazilian industrial products manufacturer, was visiting the UK to pass on the recipe for his own style of management. In fact it was more like an antidote to management because Semler spends very little time managing. Most of his work is spent lobbying managers among the small satellite units of not more than about 10 people which characterise a growing proportion of the company.

Some of his ideas are adopted, some are not. Successful business ideas also emerge without his contribution. One idea that led to the creation of a business providing management for outsourcing programmes contributed 50 per cent of the group profits within two years of its formation. "The concept was something I didn't understand but others did," said Semler.

His views on employment are radical. "Every company needs lazy employees," he said in a typically provocative statement. He believes that working should reflect the way people behave outside the office. Not everyone, he argues, is imbued with the same approach to work. Teams, however, can feed and prosper from a combination of styles.

Semler has no idea how many people work for the company or how much they are paid. Many of them set their own pay rates. "Why debate salary? We all want to make as much as possible," he said. Employees are provided with the information to settle their own pay – they know what the market pays, how much colleagues earn inside the company and how much money the company is making. When establishing their pay rates, says Semler, employees know that six months later a department may no longer want to buy their work if they have priced their services too highly.

Two out of three people who work on the premises are self-employed or work on contract for another company. They can use the hardware and telephones just the same. Semler's laisser faire management seems to work. Semco has grown nine-fold in the last 10 years to become one of Brazil's leading companies in this field.

His idiosyncratic formula is based, he said, on a simple premise that the most difficult thing in business is to get people interested in their work. "Everything else – quality, profit growth – will fall into place if enough people are interested in coming to work on Monday morning," he said.

Semler began his approach to the business by asking "childish questions" such as "what happens if someone is not there at certain time?" Some in his company believed that if there were not fixed working hours people would come as late as possible and leave as early as possible. Semler believed differently. "People go to work because they are looking to do something with their life. I have never met anyone who goes to work for the money. In the same way I have never met any businessman who is in business to make money."

He refuses to be paternalistic or to set any kind of company culture. Culture, he argues, is a dynamic that is constantly changing. Employees can wear what they want at work. OK.

All the businesses work on six-month cycles when people may change jobs or be removed from their jobs if they have not performed. Each individual must justify his place in the team – even the head of the team – to his colleagues. Job rotation is encouraged.

When someone is recruited they are given a blank card on which they can write their own title. Most do not opt for a title although one operations manager, said Semler, decided to call himself "Royal Pharaoh in charge of operations".

He rejects the suggestion that the business is anarchic. "Everybody knows what they are doing there, why they are there and how they are contributing to the final result." The three cornerstones of his approach are employee participation, profit-sharing and open information systems. He said: "Participation gives people control of their work, profit-sharing gives them a reason to do it better and information tells them what's working and what isn't."

The most refreshing aspect of Semler's approach in a business world that is becoming wedded to process is that it is not prescriptive. The result, he says, is that "we have ended up with a company that is self-propelled".

Russia beckons

The extent to which headhunting firms have been penetrating the growing central and eastern European markets for executive recruitment is apparent in a report* published this week by the Economist Intelligence Unit. The report, compiled by Nancy Garrison Jenn, shows that Russia has the greatest potential in the region, forecast to grow by 25 per cent in 1996.

Hungary and the Czech Republic are now considered to have mature and sophisticated search markets, jointly worth between $10m and $12m a year. Headhunting in Poland is worth about $15m, with forecast growth of 20 per cent in 1996. As the chart shows, H. Neumann of Austria is the clear market-leader in the region with nine offices earning more than $10m in net revenue in 1995. Ward Howell, of the US, the pioneering firm in Moscow in 1993, has maintained a leading position, in second place among the revenue earners in the region.

The report estimates that headhunting worldwide is now a $5bn to $8bn business, just under half of which in Europe. The 20 largest international search firms had worldwide revenue of $1.6bn in 1995, 23 per cent more than in 1994. Their combined worldwide sales are expected to double by 2000.

**Executive Search in Central and Eastern Europe, choosing and using a headhunter. Nancy Garrison Jenn, is published by the Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR, tel 0171 830 1007 (or New York tel 212 554 0600), price £165/$265.*

Top 10 headhunters in eastern Europe

Leading executive search firms in central and eastern Europe by number of offices and net revenues 1995

	No of offices	Net revenue $m: Central & eastern Europe	Net revenue $m: World
H Neumann	9	9.6	72.5
Ward Howell	8	8.2*	73.0
Korn/Ferry	7	6.0**	216.7
Amrop	7	3.1	126.7
Accord	3	2.9	32.8
Egon Zehnder	4	2.8	148.3
Nicholson	5	2.0	n/a
Transearch	5	1.7	50.2
Heidrick & Struggles	2	1.5	161.0
Spencer Stuart	0	1.5	158.5

* $800,000 is billed from its New York office, which has a growing Russian practice.
** Includes an Austrian base as well as assignments processed in London. Source: EIU

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BANKING FINANCE & GENERAL APPOINTMENTS

SAUDI CAIRO BANK

JEDDAH, SAUDI ARABIA

As one of the leading commercial banks in Saudi Arabia we are undertaking a recruitment campaign to increase the skills sets within our Information Services Division. The Bank's commitment to IT has resulted in experience required in the following areas/posts:

Electronic Funds Transfer (EFT)

Test Controller To create a test environment and manage testing for payments, Treasury, L/C, Audit, Security and Central Bank

Comms. Controller Manage all communications, implementation functions for payment system interfaces and contingency links to interbank clearing system

Requirements Analyst Assist in determining business requirements and providing implementation and training assistance.

Technical Author To write, format and control all EFT documentation.

(Relevant experience in EFT, EDI or Message Switching projects would be preferred, but involvement in projects of similar size and complexity in the financial sector would be acceptable.)

Systems Development

Project Managers These are senior posts and require experience of development utilising methodologies within the complete system development life cycle. Knowledge of banking and project controls are essential, and expertise on AS400, PCs and Oracle would be an advantage.

Appropriate tax free salary levels will be paid to reflect the importance of these posts. Benefits include accommodation, flights, transport allowance, annual leave, medical cover and life insurance.

Perfect knowledge of the English language is a MUST.

If you believe you have the right background and experience to fill the above posts then call Tom Delves, Head of Information Services Division on (9662) 6613412 (direct) (9662) 6608820 ext. 643 or fax your detailed CV on (9662) 6608820 ext. 160 or (9662) 6605304.

Management consulting in global capital markets.

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IBM's Banking Finance & Securities Consultancy is winning more and more high-profile business transformation work among the world's top financial institutions. Indeed, we confidently expect to be the leading provider of professional services to this market within four years. If you're wondering how we can be so sure about the future, you need to understand what we're doing in the here and now.

We combine knowledge of global capital markets and consultancy expertise in one integrated and seamless international capability – backed up by the investment muscle of a $72bn corporation. Ultimately though, it's the straightforward way in which we share knowledge that really impresses our clients. Our refreshingly open approach to consulting does away with the mystique of "the expert" and makes solutions accessible and comprehensible to the customer. We provide real and demonstrable value for money. We deliver results, not reports or recommendations. And we stay with projects until we have delivered what we promised.

A steady flow of important new business means that we need more experienced practitioners who are eager to move from a traditional consulting firm or banking environment to the fresh thinking and winning ways of IBM. You must have two to five years' experience of large-scale projects within the international capital markets sector. A sound understanding of the complexities of these markets is essential, including operational infrastructures, settlements, trade support, transaction processing, and risk analysis & management. You must also be prepared to travel widely within Europe in the course of your work.

Salaries and benefits are designed to attract professional consultants of the highest quality. Unlike traditional consulting firms which operate a limited, partner-centred hierarchy, we can promote good people as quickly as their achievements and abilities deserve. Please write with a full cv to the consultants advising on these appointments: Joe Thomas and George Gorbett at BBM Selection, 76 Watling Street, London EC4M 9BJ. Telephone: 0171-248 3653. Fax: 0171-248 2814. *Please quote ref: 405.*

IBM is an equal-opportunity employer.

The IBM homepage can be found on the Internet at http://www.ibm.com

IBM

Solutions for a small planet

ACCOUNTANCY APPOINTMENTS

Chief Financial Officer

London — Six figure package

Due to the expansion in size and complexity of its UK subsidiary, our client, a major U.S. investment bank is seeking a Head of Finance to redesign and relocate its U.K. financial, accounting and regulatory operations from New York to London.

Reporting directly to the Controller in New York, the initial task will involve extensive liaison with the present incumbent, with some travel to New York. Responsibilities will include accounting, tax and regulatory functions for the company's U.K. affiliate.

Candidates must have proven organisational and management skills, with the ability to grow and develop the role as the bank expands its European operations. Candidates will be qualified accountants, with at least five years proven senior management experience within the securities arm of an investment bank or, alternatively the financial services division of a leading international accountancy firm.

A thorough understanding of derivatives and capital markets products combined with a sound knowledge of SFA and regulatory reporting are essential requisites for this challenging and exciting role.

Interested candidates should send or fax their *Curricula Vitae, stating current remuneration package,* to Carol Jardine, Principal, Jardine Kelso, 53 Shepherds Hill, London N6 5QP. Fax: 0181-341-4463. Interviews will be held in our Central London offices. Quote reference number JK0031

• JARDINE KELSO •

ACCOUNTANCY APPOINTMENTS

FINANCE DIRECTOR

COMMERCIAL ROLE - MARKET LEADING INDUSTRIAL LEASING

MIDLANDS — **c.£60,000 + SUBSTANTIAL BENEFITS**

- £70 million turnover subsidiary of FTSE mid 250 plc. Highly profitable market leader in a mature and competitive marketplace.
- Growth by acquisition is a fundamental dimension of the company's strategy. It therefore needs a Finance Director who will actively support this development whilst maintaining effective control and service standards.
- Responsible for motivating a team of 50 to achieve high levels of service to decentralised business units, along with effective and timely reporting to Group.
- Graduate, qualified accountant, aged late 30s, ideally with leasing experience in a strong service orientated culture. International experience could be useful, although initial focus will be UK.
- Hands-on, energetic and demanding high standards. The role calls for commercial focus, individual commitment and directness, along with flexibility to contribute to acquisitions and other planned developments.
- Very much an influential role in the development of the company strategy, the scope for career advancement in the company and Group is considerable.

Please apply in writing quoting reference 1263
with full career and salary details to:
Alan Mumby
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION

A Whitehead Mann Group PLC company

Finance Director

Chequer Foods Limited

TELFORD, SHROPSHIRE — EXCELLENT REMUNERATION

Chequer Foods Limited carries on business as processing manufacturers of convenience foods for the fast food, catering and vending industries. It is part of the Autobar Federation which is a Pan-European organisation comprising over 50 companies.

An exceptional Finance Director is now sought to assume day to day control of the financial management function and to act as a key member of the management team on the formulation of overall strategic policy. Reporting to the Managing Director, the principal tasks will be to oversee and review the preparation of management and statutory accounts, initiate and manage new technology improvements, act as the principal point of contact on financial issues with professional advisers and provide assistance to the Board on the financial implications of commercial transactions, including acquisitions.

Appropriate candidates will probably be in the age range 35-45 and of graduate calibre with a recognised accountancy qualification. It is essential to demonstrate several years' experience as a Financial Director in a manufacturing environment (either a stand-alone company or a division of a major group) with exposure to standard costing issues. IT literacy is very important. A knowledge of European languages, particularly German and French, would be very useful. The appointee will be an inspirational team leader and an approachable individual who can relate to, and who seeks the views of, operational staff.

An attractive salary package will be offered including substantial bonus potential and a quality car. Opportunities for further career development within the European group are excellent.

Please write, in confidence, with full career and salary details to Geoffrey Mather, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote ref: 60995.

Interviews will be held in London and the West Midlands.

MSL

FINANCE DIRECTOR

MAJOR INTERNATIONAL GROUP

WEST MIDLANDS — **TO £75,000 + BONUS**

- Opportunity for an experienced finance professional to work closely with a recently appointed Main Board Director to build on the growth strategy of a £300 million plus turnover business of a major international group.
- The business comprises a number of companies around the world, with the centre of gravity in the USA pursuing global expansion plans in the manufacturing and selling of equipment to multi-national drinks and fast food companies.
- Key tasks will include, the provision of a comprehensive financial service for a global business, the ongoing development of financial co-ordination including the development of integrated IT systems and the contribution to business development including M&A. Significant international travel will be necessary.
- Probably 40-50, qualified accountant with broad commercial experience in the manufacturing sector. International experience is important, particularly in the USA.
- Demonstrable success in leading strategic IT projects would be an asset, as would exposure to international M&A activities. Operating experience in both large and small company environments would be preferable
- Well-developed influencing skills are vital in a business culture which has been highly devolved. Determined but diplomatic character. Ability to operate independently. Willing to invest 5+ years in a senior position within a fascinating and expanding market.

Please apply in writing quoting reference 1269
with full career and salary details to:
Deborah Whitehouse
Whitehead Selection Limited
4 The Courtyard, 707 Warwick Road, Solihull
West Midlands B91 3DA. Tel: 0121 709 0909
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION

A Whitehead Mann Group PLC company

FINANCE DIRECTOR

International Marketing Services

Jeddah, Saudi Arabia

US$56,000 plus expatriate package

Our client is a British-Managed offshore-based *marketing services group* with a multinational client base, currently operating on the Arabian Peninsula and with ambitious expansion plans in place. Growth has been sixfold in its first three years.

A Qualified Accountant with experience in the industry sector and with exposure to international business (preferably in the Middle East) is required to join the Expatriate Senior Management Team as the first Finance Director. The main tasks will be to assist in the restructuring into separate companies, supervise all accounting matters, set up and implement all relevant cost controls and systems, take responsibility for general administration and, in summary, establish the necessary operational financial structure which will enable the Group to meet *foreseeable* targets.

This will require a stable, mature personality (not necessarily in years) with impeccable professional standards, an entrepreneurial ability, strong personal skills in dealing with people of various cultural backgrounds and the desire to forge a career in this environment. This is not a contract posting.

The package will include a tax-free salary of US$56,000, family housing, medical insurance, car and a return flight annually.

Resumes only, please, to: John West, Kingston Smith Executive Selection, 2 Dryden Street, London WC2E 9NA. Fax: 0171-240 0723. E-mail: 100131.3550@Compuserve.Com

KINGSTON SMITH
Executive Selection

MOORE

SENIOR INTERNAL AUDITOR

BRUSSELS **AGE 26-29**

Moore Corporation is a global leader in delivering information handling products and services that create efficiency and competitiveness for customers. Founded in 1882, Moore has approximately 19,000 employees and over 100 manufacturing facilities serving customers in 50 countries with annual sales of US$2.6 billion.

Within the corporate audit services the successful candidate will report to the Corporate Internal Audit Manager. Responsibilities will include:

- planning, executing and reporting on financial/operational audits at mainly European production and sales units;
- providing recommendations to the management in order to increase the operating efficiency and effectiveness of procedures;
- liaising with external auditors and with local, divisional area and corporate management.

The ideal candidate will be a qualified Accountant (CPA, ACA, RA or equivalent) with at least four years experience in a Big Six firm. Fluency in English and a good command of at least a second European language is an asset. He/she will have strong interpersonal skills with an analytical mind and be able to work independently. The position will involve approximately 50 per cent international travel.

For this challenging position, our client offers an interesting salary package including a number of fringe benefits as well as exciting opportunities within an international group.

Interested applicants can contact Christian Smets on telephone 0032 2 511 66 88, or send him their detailed curriculum vitae at Robert Walters Associates, Avenue Louise 66 box 5, 1050 Brussels, Belgium, fax 0032 2 511 99 69. E-mail. brussels@robertwalters.com

ROBERT WALTERS ASSOCIATES

No. FS30091

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c. £100,000 package + benefits *Blue-Chip Service Business* *East Anglia*

Finance Director

Rare opportunity to join a profitable, high profile and innovative business with an inherent market capitalisation in the region of £100 million which is part of a large quoted group embarked on diversification. Continued expansion and a challenging strategy to grow both organically and by acquisition requires a highly ambitious finance professional to support the Chief Executive in all aspects of strategy and operations.

THE ROLE

- Acting as a sounding board to the Chief Executive, setting strategy and evaluating the ongoing performance of a diverse portfolio of high potential start-ups, JVs and recent acquisitions.
- Initiating, negotiating and delivering a range of acquisitions, dealing directly with principals and managing advisors.
- Enhancing the financial management and IT infrastructure to support planned rapid growth, providing guidance to functional reports in the operating companies.

THE QUALIFICATIONS

- Graduate ACA/MBA, aged early 30s+ with first-class financial management, modelling and corporate development experience from a blue-chip, fast-moving business.
- Challenging yet diplomatic style. Able to respond quickly and assimilate data promptly to generate imaginative business solutions. Capable of and keen to encourage initiative whilst maintaining tight financial control.
- Highly commercial with superior communication skills. Excellent staff and project management skills. Effective in dynamic, technology-driven cultures and able to progress further.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. P60251061, 16 Connaught Place, London W2 2ED

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c. £80,000 package + options + benefits *International Manufacturing Group* *Midlands*

Head of Corporate Finance/Treasury

Key role at the heart of an acquisitive and highly profitable £700 million+ turnover UK plc with an enviable growth record, well-balanced international profile and a dominant position in each of its chosen niche markets. Powerful balance sheet and strong City support underpin a well-proven and focused strategy for growth both organically and by acquisition. Significant opportunity for a well-rounded finance professional with M&A experience and exposure to treasury seeking enhanced responsibility and professional growth in corporate development and, in due course, general management. Excellent international career prospects.

THE ROLE

- Reporting to Group Finance Director with specific responsibility for corporate development and treasury as part of a small head office finance team.
- Working closely with the Board to identify and evaluate potential acquisitions internationally; developing proactive relationships with key financial advisors in the City.
- Strategic management of treasury, supervising an established high quality function, focusing on funding and balance sheet management.

THE QUALIFICATIONS

- Graduate, Chartered Accountant, aged 30 plus, with M&A exposure and treasury experience gained in either a merchant bank or a corporate. Second definite European language an advantage - preferably German.
- Strong analytical skills and broad business overview combined with first-rate written and oral communication skills. Comfortable handling complex negotiations at senior level.
- Accomplished networker and relationship builder, capable of operating effectively as part of a small head office team. Self-starter with the ability to work independently.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe
Spencer Stuart

Please reply with full details to: Selector Europe, Ref. F60231061, 16 Connaught Place, London W2 2ED

Treasury Audit Professional

High profile position in a rapidly developing Middle East Bank
To £45,000 Tax Free + Substantial Benefits
Based Jeddah – Saudi Arabia

The National Commercial Bank is the largest commercial bank in Saudi Arabia. It has a network of over 200 branches and serves customers throughout the world.

The Bank is embarking on a challenging business expansion plan which will include the development of new Treasury and Investment Services activities. The Treasury Audit function is seen as having a critical role in this development, assisting in establishing and maintaining operational controls in order to support effective business risk management.

As part of this process we are seeking to recruit an additional Treasury Auditor to work within this specialist team.

Undertaking in-depth reviews of business areas you will be required to:

- Risk assess products including securities and derivatives.
- Review procedures and controls in the middle and back offices.
- Assess adequacy of management reporting processes.

You will have gained operational or audit experience in a treasury environment, together with knowledge of the latest risk management practices and treasury systems.

Applicants for this position should be graduates and/or professionally qualified, with excellent communication and report writing skills. The ability to work independently or as part of a team in a multinational environment is essential.

In return for your skills and commitment, the bank is offering employment on a two year contract basis, renewable by mutual agreement. The package offered includes a tax free salary, performance related bonus scheme, family accommodation, medical expenses, annual return air tickets to country of residence and contribution to school fees incurred in the Kingdom.

For further details and to arrange an interview, please contact Tim Sandwell at Barclay Simpson Associates, Hamilton House, 1 Temple Avenue, Victoria Embankment, London EC4Y 0HA. Telephone 0171 936 2601. Fax 0171 936 2655. E-mail tjs@bar-sim.demon.co.uk

البنك الأهلي التجاري
THE NATIONAL COMMERCIAL BANK

Director of Finance

Northwick Park & St Mark's NHS Trust

NORTHWICK PARK & ST MARK'S • HOSPITALS •

To £60,000 **Harrow**

Excellent career opportunity at Board level for ambitious finance professional. Make a major contribution in shaping this leading provider of health care services in north west London to become a model hospital for the 21st.century.

THE TRUST

- Provides a full range of general acute services to local population of 500,000 and specialist services to a much wider population of 7m.
- Clear strategic objectives and corporate values. Strong reputation for medical research and education programmes.
- Turnover of c.£85m p/a. 2,700 employees. Significant recent investment in new facilities.

THE POSITION

- Executive Board Member. Contribute to development of Trust strategy and business plans. Report to Chief Executive.
- Exercise strong financial control, ensuring targets are met. Provide clear management information to the Board.
- Lead and motivate finance team of 35. Support operational and clinical directorates.

QUALIFICATIONS

- Professionally qualified, with substantial financial management experience at Board level, ideally in the NHS.
- Both a leader and team player who can improve productivity whilst maintaining quality and financial viability.
- Good communicator with presence and authority. Able to make a real impact and build effective working relationships internally and externally.

The Trust is committed to Equal Opportunities.

Please send full cv, stating salary, ref PS61004, to NBS, 54 Jermyn Street, London SW1Y 6LX

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Group Accountant

c£32,500 & BMW

This is an opportunity for a Chartered Accountant with about 1 year's post qualification experience to move to the Corporate Centre of a substantial and dynamic UK plc which is actively seeking high calibre individuals with the capacity to develop a broadly based finance career within the Group.

The key aspects of the initial job will be the control and management of the budgeting and forecasting systems across the Group; liaison with the business Finance Directors to manage the rolling cash flow and profit forecasts; modelling one-off situations and emerging trends; assistance with the monthly reporting process; and special project work which will include investment appraisal, acquisitions and divestment reviews. The role calls for an interactive young professional with a very well organised approach to the analysis of the data and forecasting trends.

Applicants should hold a high grade first degree and be big 6 trained with first time professional passes. Computer literacy is a key requirement, together with the ability to develop high standards of analytical and presentational skills.

Location – South West London

Please apply in confidence quoting ref: L615 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB.
Tel: 0171-240 7805.

Mason & Nurse
Selection and Search

Mind
The Mental Health Charity

DIRECTOR

Finance & Resources

Mind the leading mental health charity is seeking a Director of Finance & Resources to provide strategic leadership and be responsible for all Mind's support services including Finance, Human Resources, Administration, Information Technology and Facilities Management.

You will have a key role to play in Mind's Corporate Management Team, leading on the development of medium and long term financial strategies and the continued development of Human Resources.

A qualified accountant, you will have excellent analytical and planning skills and be a good communicator, capable of explaining complex financial information to non financial people. You will also have a keen awareness of opportunities in a new funding environment. You will oversee Mind's investment portfolio and be a director of Mind's trading company.

Candidates must have experience of motivating a team and a good understanding of employee relations.

Salary for the above post around £35,000 per annum, plus benefits.

For an application pack write on a postcard only to: Human Resources (Ref: DF/R) 15-19 Broadway, London E15 4BQ (no telephone calls or CVs please).

Closing date for completed applications 15 November 1996.

Interviews expected 6 December 1996.

Reg. Charity no. 283329

Mind is an equal opportunities employer

APPOINTMENTS ADVERTISING

appears in the UK edition every Monday, Wednesday & Thursday and in the International edition every Friday.

For further information please call:

Toby Finden-Crofts on +44 0171 873 3456

SCOTTISH
PROVIDENT

HEAD OF INTERNAL AUDIT

c.£60K + Executive benefits

The Scottish Provident group currently consists of seven operating units (three based in the UK, the others based in Ireland, Greece, Spain and the Isle of Man) transacting principally life assurance and investment business. The group has funds under management in excess of £6bn. We are looking for an experienced individual to lead the Internal Audit department, which is part of the compact Group Head Office in Edinburgh.

Prudential control of the business in its widest sense is taken very seriously in Scottish Provident. There is a strong Audit Committee of the main Board, and within the Group Head Office a Prudential Control Group which acts as a top-level management clearing house for all audit, compliance, risk, control and corporate governance issues. The Prudential Control Group is chaired by the Finance Director (who is also Deputy Managing Director of the group) and involves the Chief Accountant, the Actuary and the Secretary. You will be a member of the Group and will be required to report regularly to the Audit Committee; day-to-day reporting will be to the Finance Director.

The job involves: devising and managing a rolling audit plan to cover all the main areas of risk within the various operating units, enhancing the scale and competencies of the existing Internal Audit department and raising its profile within the organisation, and developing the practice of good risk management throughout the group.

You will have wide experience of internal audit and highly effective management skills with preferably experience of the financial services sector. The ability to think widely and imaginatively about risk and control issues combined with good people skills will be important factors in the selection process.

In return for your commitment, we offer an attractive salary and benefits package, including a car, non-contributory pension and life assurance scheme, private medical insurance and mortgage assistance and participation in a long term incentive bonus scheme.

Applications in writing should be submitted to David Adams, Group Personnel Manager, Scottish Provident, Group Head Office, 7-11 Melville Street, Edinburgh EH3 7YZ. Fax: 0131 527 1112. Closing date 21 November 1996.

Scottish Provident is an equal opportunities employer

EUROPEAN TAX LAWYER

DERIVATIVES-BASED FRONT OFFICE ROLE

London

c.£100,000 + Bonus + Benefits

This assignment is being handled exclusively by Brewer Morris. Please contact Matthew Phelps on 0171 415 2800 or write to him at Brewer Morris, 179 Queen Victoria Street, London EC4V 4DD. Facsimile 0171 463 0740

We are representing a worldwide financial services organisation which advises multinational corporations, financial institutions and government entities. The global derivatives financial structuring group engineers unique investment products and creates derivatives-based solutions to tax and accounts issues for major corporate clients. Sustained expansion across the global derivatives business has created a new role within this dedicated team of 6 professionals. Key responsibilities will include:-

- structuring and marketing of tax-advantaged products to clients
- utilisation of international/domestic tax rules to enhance trading revenues
- provision of tax input to documentation issues surrounding complex derivatives trades

As a European qualified Lawyer you will have a broad knowledge of European tax systems and treaty networks, and a genuine understanding of financial instruments and their tax treatment. Transactional experience in a bank or investment house would be ideal, however relevant experience gained in a leading advisory firm is equally welcome. Strongly team-orientated, with excellent organisational and execution skills, you will engender trust with a broad range of sophisticated corporate clients. Fluency in two or more major languages (including English) is essential.

BREWER·MORRIS

TAXATION RECRUITMENT SPECIALISTS

GROUP DIRECTOR OF FINANCE

INTERNATIONAL MANUFACTURING

EXCELLENT SALARY & BENEFITS — OXFORD

W Lucy is an independent, vertically integrated manufacturer of electrical distribution equipment, grey and SG iron castings. Its two main operating businesses have a combined turnover of c£35m, supported by a substantial property and investment division. It is multi-sited in the UK, with subsidiaries, associate companies and partnership agreements in major world markets. Large scale investment programmes over the last 10 years have allowed the company to meet the challenges of a changing market place.

Restructuring into focussed business units is ongoing and necessitates the finance function adding value to manufacturing and commercial operations of varying size and complexity. The position takes full responsibility for the day to day hands-on control of the centralised finance function, including the development of reporting systems and controls. This new role reports to the Board, early accession to which is envisaged.

Candidates will be ACA or CIMA professional accountants, with extensive business experience. They will probably be senior financial executives in multi-sited, international manufacturing businesses. Well rounded and highly commercially orientated, they will be skilled in the provision and implementation of tight operating and finance controls.

Please send a comprehensive CV to Keith Miller, Howgate Sable & Partners, 35 Curzon Street, London W1Y 7AE. Tel: 0171-495 1234, Fax: 0171-495 1700, quoting ref: FT340.D. *Visit our web site at http://www.topjobs.co.uk*

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EXECUTIVE SEARCH AND SELECTION

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EUROPEAN FINANCE DIRECTOR

WEST OF LONDON — **c £60,000 + CAR + SUBSTANTIAL BONUS**

This major US based computer leasing and trading organisation has recently established a powerful presence in Europe and is well poised for growth in its major European markets. It is focused on providing the highest level of customer support and choice, whilst remaining at the forefront of developments in systems technology.

In line with supporting the European Managing Director to drive the business forward across Europe, an exciting opportunity has now arisen for a highly commercial individual to join the company as European Finance Director.

Reporting to the CFO in the United States, and the European Managing Director, specific responsibilities will include overseeing European group and management reporting to the US parent and providing financial strategy and commercial direction to this Group. In addition this individual will be responsible for the management of ongoing banking relationships and all other treasury related issues.

The successful candidate, probably aged mid to late thirties, will have a professional accounting qualification, experience of US GAAP reporting and ideally some exposure to the leasing industry (servicing any business sector).

Strong presentational and inter-personal skills are required to support the blend of reporting and commercial experience necessary for this position. The ability to manage and motivate a number of teams within finance and MIS based in Europe will be key.

Interested candidates should forward their curriculum vitae, including remuneration details and daytime telephone number to Andrea Black or Richard Parnell at Robert Walters Associates, 42 Thames Street, Windsor, Berkshire SL4 1PR, or fax 01753 678 908. E-mail: andrea.black@robertwalters.com

ROBERT WALTERS ASSOCIATES

No. FS30091

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY WELLINGTON

"Commercial Mind" - Major International Consumer Business

Group Financial Planning Director

Early/Mid-30s c.£60,000 + Substantial Bonus + Car Home Counties

Our Client is a major "household name" highly profitable and fast-growing international consumer business, with a strong reputation for dynamic and aggressive management, and is the established European market leader with operations that span the UK, Continental Europe and beyond.

Promotion of the current incumbent has created a need for an exceptional and ambitious qualified accountant to lead its central Financial Planning function. This highly qualified and experienced professional team is responsible for providing analytical and business support to operational management in terms of identifying and recommending profit improvement opportunities, as well as preparing Group annual and long-term plans, monitoring and critically appraising country operating results, and producing regular Board reports and forecasts of Group performance. Additionally, your team will evaluate all significant investment projects, produce presentations to shareholders, banks and City institutions, and be involved in all corporate finance projects.

You will be a highly commercial and analytically-minded qualified accountant with previous man-management and financial planning/analysis experience gained within a "disciplined" environment, ideally in an international fast-moving consumer product or service business. You will also need to be self-confident yet diplomatic with good interpersonal skills, have strong powers of persuasion and be able to demonstrate finance directorship potential. The remuneration package is flexible to attract an exceptional individual.

You should write or fax in confidence, enclosing your resume and current salary details and daytime/evening telephone contact numbers, quoting reference 618/A on both envelope and letter/fax, to the address below:

Chryssaphes Flammiger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DP (Fax: 0181 528 9878).

Finance Executive

c£55,000 & Car & Performance Bonus

Our client is a £1 billion quoted FMCG Group with a number of market leading positions in large but very competitive consumer product sectors.

An early promotion from the corporate team has led to the need to recruit a Chartered Accountant aged about 30 who will work at Main Board level on a series of strategic initiatives which are central to the next phase of the Group's development. The role will therefore span acquisition and divestment studies, investment appraisal, the evaluation of competitive activity and industry structures, and forms of joint venture and product licencing.

Applicants should be graduate ACA's with a top level academic and professional record and proven success at Senior Manager level in the mainstream of a big 6 firm, including a good cross section of special work. Individually, candidates must have the energy, dedication and lifestyle to cope with sustained pressure and make an impact both at Main Board level and with external advisors and third parties. The position will be based in West London. Relocation assistance will be available if necessary.

Please apply in confidence quoting ref: L614 to:

Brian Mason
Mason & Nurse Associates
1 Lancaster Place, Strand
London WC2E 7EB.
Tel: 0171-240 7805.

Mason & Nurse

Selection and Search

SIEMENS

Siemens is one of the largest, most prestigious and innovative electrical and electronic engineering manufacturers in the world. As a leading force in a highly competitive global market, we have maintained this position by continual innovation and development.

As a result of internal promotion and expansion, we have two vacancies in:

Corporate Controlling

Manchester - Manufacturing
Bracknell - Project, Product & Service

Attractive Salary, plus bonus and car

Following the decentralisation of financial responsibility within Siemens, it is Corporate Controlling's responsibility, on behalf of the Board, to review the financial performance of each business. Working closely with each business you will be responsible for developing and expanding their financial review processes.

Candidates will be qualified graduate accountants, possibly with an MBA, and a minimum of four years PQE. All applicants will possess analytical excellence, proven financial and commercial ability and exceptional communications and presentational skills.

This is a very high profile role with significant exposure at senior management level, affording the successful candidate the opportunity to be part of a highly innovative company and contribute to its continuing growth. The potential for career progression is excellent.

To apply, please send your CV to Lynette Gleeson, Personnel Manager, Siemens plc, Siemens House, Oldbury, Bracknell, Berkshire RG12 8FZ. Telephone (01344) 396237 Facsimile (01344) 396235
Closing date: 15th November 1996

Innovation · Technology · Quality · Siemens

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Young controller

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FINANCIAL TIMES
COMPANIES & MARKETS
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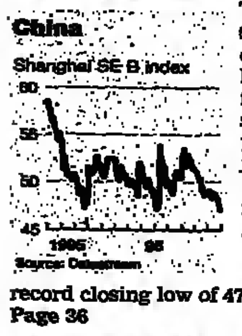
Friday November 1 1996

IN BRIEF

Dresdner Bank profits up 30%

Dresdner Bank announced a 30 per cent rise in operating profits to DM1.89bn ($1.25bn) for the first nine months and confirmed plans to open a direct banking operation next year. Page 20

Shanghai B shares reach record low



The hard currency B share index in Shanghai ended at a record closing low on heavy selling by foreign investors, disillusioned by poor corporate performances and Beijing's repeated reaffirmation of a ban on domestic investors trading the B shares. The index fell 0.226 to 47.077 points, below the previous record closing low of 47.13 points on June 7. Page 36

Tisco surprises with first-half results
Tata Iron and Steel Co, India's second largest steelmaker, surprised the market with better than expected first-half results. The flagship of the hotels to trucks Tata group lifted net profit 25 per cent to Rs2.52bn ($70.6m) in the six months to September 30. Page 18

Komatsu reports 55% rise in profits
Komatsu, the world's second-largest maker of construction machinery, reported a 55 per cent rise in non-consolidated recurring profits, up from a previous Y6.1bn to Y9.5bn ($83m). This was on sales that were 7 per cent higher at Y251.4bn. Net profits rose 22 per cent to Y5.3bn. Page 18

Mitsubishi Heavy boosted by weak yen
Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and machinery groups, cited the yen's weakness as a factor in its double-digit profits growth for the first half. Page 18

El Al sell-off plans receive setback
El Al, Israel's national airline, confirmed it expects losses of $100m this year, a development seen as a setback for the Israeli government's plans to privatise the company. Page 20

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)		
Rises		
DLW	97	+ 2.5
Falls		
Degussa	594	- 8
GEHE	102	- 3.5
Ind Werke	323	- 5.5
Linde	937.5	- 24.5
Rheinelektra	1220	- 29
NEW YORK ($)		
Rises		
Aetna Ins	44¾	+ 3
Chem Chemical	70	+ 3¼
Santa Astra	22	+ 2¾
Starwood Lodg	43⅞	+ 2⅜
Falls		
Hud West	40⅞	- 1⅜
Phar & Upjohn	35⅛	- 2⅛
LONDON (Pence)		
Rises		
Grampian TV	327½	+ 27½
Powergen	510	+ 16
Falls		
Eadie Hldgs	12½	- 5½
Greenings	78½	- 8½
Wace	88½	- 65
Wellman	29½	- 6½
TORONTO (C$)		
Rises		
Eaton Gp	68.50	+ 2.00
Everest Res	21.00	+ 1.00
Walter Grp	31.25	+ 2.00
Falls		
Buchans Pen	56.50	- 4.50
LG Techno	3.00	- 1.40
Skylark	38.00	- 2.00
PARIS (FFr)		
Rises		
Ch. Dior	680	+ 21
Credit Nat	270	+ 3.1
Eurafrance	2235	+ 32
Legrand	887	+ 15
Sanofi	483.1	+ 14.2
Falls		
Dollfus Mieg	136.5	- 3.4
TOKYO (Yen)		
Rises		
Marudai Food	701	+ 15
Falls		
Akebono Brake	567	- 15
Chiyoda Fire	567	- 21
Fanuc	3600	- 150
Hitachi Kenki	794	- 22
Makino Milling	885	- 23
HONG KONG (HK$)		
Rises		
China Enghance	4.4	+ 0.25
Lai Sung Hong	7.3	+ 0.35
SCMP	5.5	+ 0.35
S'pore HK Prop	3.3	+ 1.175
Falls		
Pac Concord	2.65	- 0.1
Tian An Pd	4.4	- 0.25
BANGKOK (Baht)		
Rises		
Thai Finance	69	+ 6
Falls		
Crown Seal	61.5	- 6.5
Klang Hoot	53.0	- 5.5
Kangchao	104	- 11
Nawarat Patana	34.00	- 3.75
Prop Perfect	40.50	- 4.25

New York and Toronto prices at 12:30.

16% of Matav earmarked for public offering is valued at $500m

Hungary telecoms group to float

By Nicholas Denton in London

Matav, Hungary's national telecommunications company, is poised to float within the next 18 months in one of the largest initial public offerings to emerge from eastern Europe's developing capital markets.

At current valuations, the tranche of 16 per cent earmarked for the flotation is worth about $500m.

This exceeds the $429.3m raised by Russia's Gazprom in the region's largest international share deal to date.

As a result of the transaction, Deutsche Telekom and Ameritech, which own 67 per cent of the Hungarian company, will lower their stake to 51 per cent.

The deal could be enlarged if the Hungarian state decides to decrease its 25 per cent holding.

The decision by Deutsche Telekom and Ameritech to proceed with the flotation has been confirmed by an invitation to four investment banks to put in plans for the sale and pitch for the role of global coordinator.

The banks in contention – CS First Boston, Deutsche Morgan Grenfell, Merrill Lynch and Morgan Stanley – have until November 15 to develop proposals. Goldman Sachs, Salomon Brothers and UBS approached Matav but were not included.

In December 1993, Deutsche Telekom and Ameritech paid $875m for a stake of 30 per cent in Matav when the state-owned telecoms company became the first east European operator to be privatised.

From late 1994, the Hungarian government, which has wrestled with one of central Europe's highest budget deficits, looked into raising further proceeds through an international private placement or a flotation of its remaining holding. Deutsche Telekom and Ameritech persuaded Budapest to wait until they were further along their three-year programme of investment in Matav.

To satisfy the Hungarian government's need for funds, the two western companies paid $852m in December 1995 for a further 37 per cent of Matav.

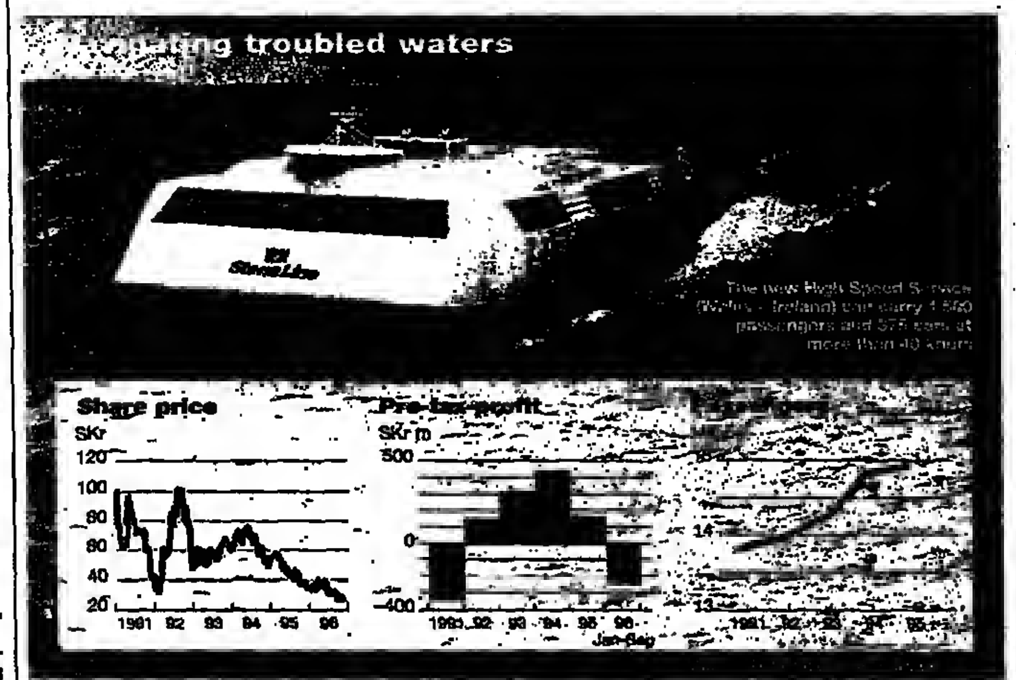
However, the Hungarian government specified Deutsche Telekom and Ameritech should by 1999 float Matav and lower their stake to a bare majority.

Under Hungarian legislation, the state must hold at least 25 per cent of the company but a relaxation is expected.

By encouraging the flotation of Matav, the government aims to boost liquidity on the Budapest Stock Exchange. The exchange index is up 135 per cent so far in 1996, but only 44 companies are listed.

The number of lines per 100 inhabitants has increased to 26.4 per cent from 14.6 per cent at the end of 1993. By the end of this year Matav will have added nearly 1m new lines over the three years.

The waiting list for new lines has fallen from 700,000 at the end of 1994 to fewer than 200,000.



TV Asahi to limit Murdoch alliance's influence

By Michiyo Nakamoto in Tokyo

Japan's Asahi National Broadcasting, in which News Corporation has a 21.4 per cent stake with Softbank, has moved to curb the influence of the media group, headed by Mr Rupert Murdoch, and its Japanese partner.

Mr Kunio Ito, president of the broadcaster known as TV Asahi, said acceptance of part-time directors from the News Corp/Softbank alliance would be postponed until it accepted restrictions requested by other shareholders. TV Asahi was to accept two directors from the partnership at an extraordinary meeting on November 7.

The action highlights the closed nature of Japanese broadcasting, which was shaken when News Corp and Softbank, the software and publishing group, emerged in June as leading investors in TV Asahi, one of the five main national broadcasters.

Mr Murdoch's arrival triggered alarm in the industry, which feared he planned to take over TV Asahi or its sister company, the Asahi newspaper. Although Mr Murdoch and Mr Masayoshi Son, who heads Softbank, have stressed that their stake in TV Asahi is friendly, the group's reaction indicates it is still concerned.

Mr Ito said some large shareholders had asked that News Corp and Softbank accept limits on the activities of shareholders, including non-interference in the broadcaster's business activities and restrictions on the sale and acquisition of further shares.

"It has been tacitly agreed among large shareholders that there will be no participation in management and no purchases of further shares in TV Asahi," Mr Ito said. The appointment of directors from the alliance would therefore have to be put off until an agreement could be agreed with the new shareholders.

Softbank said it would consider the proposal, while News Corp officials in Tokyo were not available for comment.

Nippon Broadcasting, a radio station which is part of the Fuji Sankei media group, is to apply for a listing on the second section of the Tokyo Stock Exchange in December.

P&U in second profits warning in three weeks

By Daniel Green in London

Pharmacia and Upjohn, the Swedish-US pharmaceuticals company, yesterday issued its second profits warning in three weeks.

Mr Robert Salisbury, chief financial officer, said analysts forecasts for 1997 earnings per share of about $2.25 were up to 10 cents too high.

Three weeks ago the company said expectations for its third quarter results, published yesterday, were too high.

P&U shares, which had risen sharply on publication of the figures, fell to end SKr13.5 lower at SKr239.5 in Stockholm.

The company said profits next year would be affected because growth was "coming from the lower base" – the lower third-quarter figures.

But Ms Janet Dyson, analyst at Merrill Lynch in London, said the company was also probably being hit by tougher than expected competition.

She said there was increasing generic competition for the anxiety drug Xanax, the sleeping pill Halcion, and the antibiotic Cleocin. The diabetes drug Micronase was competing against generics and powerful new drugs.

P&U's third-quarter net profit was $203.7m, down from $230.8m last year, excluding $47.6m in non-recurring charges related to the companies' merger.

Third-quarter sales rose to $1.72bn from $1.69bn, up 2 per cent but sluggish by comparison with most US and European competitors.

Currency movements depressed performance. Excluding exchange rate effects, sales in the third quarter would have grown 4 per cent.

Third-quarter sales were boosted by the launch of Camptostar, for bowel cancer, and Xalatan, for glaucoma. Mr Salisbury said Xalatan, launched in August in the US, had 13 per cent of the market.

Sales of over-the-counter products rose 27 per cent, after a 169 per cent growth in Nicorette sales. But the rise was mainly due to stockbuilding ahead of the US launch.

Third-quarter operating profit margin, excluding non-recurring items, rose from 18.6 per cent to 19.5 per cent.

He said job cuts were ahead of schedule with 3,300 staff having left the company by the end of the third quarter.

Derivatives of two drugs, including P&U's cancer drug doxorubicin, have been found to prolong the lives of hamsters and mice infected with scrapie, a sheep disease related to BSE, or mad cow disease, New Scientist magazine said yesterday.

Lex, Page 16

Channel rivalry forces Stena into nine-month loss

By Greg McIvor in Stockholm

Stena Line, the world's largest ferry operator, blamed cut-throat competition on the English Channel and disruption from delayed ship deliveries for a fall into deficit during the first nine months.

The Swedish company saw pre-tax profits of SKr272m in the same period last year turn into a SKr251m ($38m) loss, on operating income down 6.5 per cent to SKr7.1bn from SKr7.6bn. The deficit was largely due to a poor July-September peak season, in which pre-tax profits slid from SKr622m to SKr309m.

The figures were broadly in line with expectations and Stena's shares firmed SKr0.50 to SKr29. The company repeated its forecast of a SKr450m full-year loss for 1996.

Stena is expecting higher returns next year from its English Channel routes after agreeing this month to merge its cross-channel operations with P&O of the UK. The deal, an effort to combat aggressive price-cutting by Eurotunnel, the Channel tunnel operator, awaits regulatory approval.

Price-cutting boosted volumes on the Dover-Calais route, Stena said, but took traffic from other Channel crossings. Excluding Dover-Calais, Stena's total volumes fell on other routes around the UK.

Crossings on Stena's high-margin Irish Sea routes fell amid disruptions caused by delays in deliveries of new high-speed service (HSS) vessels. The need to re-allocate capacity resulted in widespread disturbance, the company said. The HSS craft also suffered running-in problems.

Late delivery of a second HSS vessel on the Irish Sea routes meant it missed the peak summer season.

Mr David Elsmore, shipping analyst at Kleinwort Benson, the London-based investment bank, said: "In the ferry business, if you miss the key summer season, you have basically had it." He said "everything had gone wrong" for Stena in 1996, but predicted a strong rebound in earnings next year as benefits begin to flow from the P&O merger and the HSS ferries become fully operational.

Stena said the number of passengers on all its routes rose by 8 per cent in the third quarter. Car traffic grew by 7 per cent, while freight volumes increased by 1 per cent. Around the UK, passenger and car volumes advanced 15 per cent and freight grew by 3 per cent.

The company said it was negotiating over the future of Westa Marin, a Norwegian shipyard which is building two HSS ferries for Stena but this month went into insolvency after months of financial problems.

The vessels, due for delivery at the start and in the middle of next year, had already been delayed. Stena, which has pumped SKr65m into Westa Marin this year, said it was unclear when the ships would arrive.

Schroders' underwriting move follows attack on City

By John Gapper, William Lewis and Christopher Price

Schroders, the UK merchant banking group, yesterday introduced a more competitive method of underwriting UK share issues in response to criticism of traditional City of London practice by the Office of Fair Trading.

UK banks and large investment institutions want to avoid the system of fixed underwriting fees being referred to the Monopolies and Mergers Commission on the grounds that it is too costly for companies raising capital.

The Schroders innovation was part of a £222m ($362m) rights issue by the hotels group Stakis. A tender among 40 investors involving part of the underwriting fees saved Stakis £400,000, the merchant bank said.

An OFT report last year criticised the system of fixed underwriting fees totalling 2 per cent or more being levied on companies raising capital.

It is now close to concluding an investigation into the practice and is expected to decide by the end of the year on whether to refer the fixed underwriting fee approach to the MMC. Some critics of the system believe that changes will come too late to avoid a referral to the MMC.

Stakis would have normally been charged £5m for the rights issue, which would cover the merchant bank and big investors guaranteeing that the shares would all be bought at the set price and the work done by the broker.

"We welcome any move which saves us money. We like to think of ourselves as an innovative company so are happy to be part of this new type of underwriting," Mr David Michels, Stakis chief executive, said.

> 'We welcome any move which saves us money. We . . . are happy to be part of this new type of underwriting' David Michels, Stakis chief executive

The Stakis deal, to which Merrill Lynch was broker, follows an intervention by the UK's National Association of Pension Funds, which wrote to its members to urge them to be flexible to new forms of share sub-underwriting.

Traditional merchant banks such as Schroders, with a strong list of corporate clients, are regarded as having most to lose from the end of fixed fees which could make it easier for newcomers to compete.

Mr John Rogers of the National Association of Pension Funds said the Stakis deal "could be the tip of the iceberg", and other innovations in issues were likely to follow. "We hope the OFT will note this development," said Mr Rogers.

Prudential Corporation, which confirmed that it had participated in the tender organised by the brokers, said that "as shareholders in very many UK companies, we strongly support moves to reduce the cost of capital for those companies".

"We believed it was in everybody's interests to test the demand in the UK market rather than simply have an academic debate about pricing," said Mr Robert Swannell, head of UK corporate finance at Schroders.

The rights issue is to be used to part-fund the acquisition of Metropole Hotels from Lonrho. Stakis will pay £327m for the five-strong four-star chain, which will increase the number of rooms that Stakis operates from 5,500 to 7,700.

Lex, Page 23

Weak yen lifts profit at Mitsubishi Heavy

By William Dawkins in Tokyo

Mitsubishi Heavy Industries, the largest of Japan's diversified shipbuilding, aerospace and machinery groups, yesterday cited the yen's weakness as a factor in double-digit profits growth for the first half, and an improved profits forecast for the whole of 1996.

The group, the industrial nucleus of the Mitsubishi corporate *keiretsu*, yesterday said it expected the yen to stay near its current rate of around Y110 to the dollar in the second half, rather than the Y105 on which it had calculated previous projections.

On that basis, it expects unconsolidated recurring profits – before tax and extraordinary items – to rise 15.5 per cent to a record Y192.5bn ($1.7bn) for the year to March, instead of the Y185bn it had forecast earlier. Mr Yoshihisa Tsuda, vice-president, said the yen's fall was helping export profits, which was mainly why MHI's overall gross profit margins were expected to to rise to 14.7 per cent this year from 13.8 per cent last. Each rise of one yen against the dollar, when sustained over a year, adds Y2bn to MHI's annual recurring profits, Mr Tsuda said.

Recurring profits in the first six months to September climbed 12.6 per cent to Y89.1bn, on sales up 10.2 per cent to Y1,177bn. Turnover in the shipbuilding and steel structure division, representing less than one-fifth of sales, rose just 0.6 per cent to Y220bn, as ship orders began to weaken in response to a decline in demand for new vessels. But sales at the aircraft and special duty vehicle division rose nearly 70 per cent to Y113bn, a consequence of increased sales of components for the new Boeing 777 airliner.

MHI's two smaller rivals, Hitachi Zosen and Mitsui Shipbuilding also reported results yesterday, but they refrained from celebrating the yen's decline with an upgrade of profits forecasts. They were either being conservative, or have low-margin shipbuilding orders in their yards as a result of a recent decline in prices, said Mr Matthew Ruddick, shipbuilding analyst at James Capel in Tokyo.

Hitachi Zosen is forecasting a 14.8 per cent rise in full-year recurring profits, to Y30bn, on sales up 8.3 per cent to Y500bn. In the first half, Hitachi Zosen's profits rose 0.7 per cent to Y9.1bn. Margins were constrained by a sharp rise in sales promotion costs, the company said. Total turnover edged up a mere 1.1 per cent to Y157bn, held back by a 48.2 per cent drop in turnover at the company's shipbuilding division.

Mitsui Engineering and Shipbuilding yesterday forecast an 8 per cent rise in recurring profits for the full year, on sales up 27.2 per cent to Y370m. In the first half, recurring profits rose 66 per cent to Y2.03bn on turnover up 15.4 per cent at Y134bn.

High public spending helps buoy Komatsu

By Michiyo Nakamoto

Komatsu, the world's second-largest maker of construction machinery, reported a 55 per cent rise in non-consolidated recurring profits, as public spending in Japan and infrastructure development in Asia supported a steady rise in overall sales.

Komatsu lifted recurring profits from Y6.1bn to Y9.5bn ($83m), on sales 7 per cent higher at Y251.4bn. Net profits rose 22 per cent to Y5.3bn.

The company said that, despite a weak domestic market, sales of construction equipment were lifted by the high public spending introduced as part of the government's economic stimulus programme.

Overseas, Komatsu was helped by the strength of the US economy and infrastructure projects in south-east Asia, which triggered strong demand for bulldozers.

Sales of domestic industrial machinery fell 26 per cent in the term.

Komatsu expects the second half to be difficult amid economic deceleration in Asia and a slowdown in capital investment by semiconductor manufacturers.

Nevertheless, it expects aggressive marketing overseas and at home to help it raise sales for the full year, from Y500.9bn to Y530bn. It forecasts recurring profits of Y24bn, compared with Y17.9bn, and net profits of Y12bn, against Y10.4bn.

Cost cuts offset higher fuel bill at ANA

By Michiyo Nakamoto in Tokyo

ANA, one of Japan's leading airlines, brushed aside a sharp rise in fuel prices to report a firm increase in parent pre-tax profits for the first half on the strength of higher passenger levels and cost-cutting measures.

The company lifted recurring profits 33 per cent to Y17.9bn ($157.2m), on revenues up 5 per cent at Y450.7bn. Net profits climbed 33 per cent to Y8.4bn. However, ANA's performance, which contrasts with that of Japan Airlines, the international carrier which reported lower profits this week, did not help its share price yesterday. Investors were disappointed by a lower than expected full-year forecast, and the shares and fell Y12 to a new low for the year of Y949.

In the first half, ANA was helped by expansion in routes and better results in the first and business classes of its international operations, which it attributed to a pick-up in the economy and the introduction of 180-degree reclining seats in the first class section.

International passenger numbers rose 17 per cent over the same period last year, while international revenues were up 13 per cent.

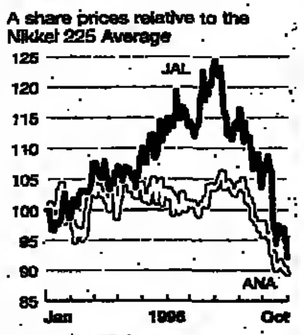
Domestic passenger volume and revenues also rose, although not as strongly as in the international business. The carrier's performance in the Japanese market was supported by price discounts and new services.

ANA, like JAL, has been hit by higher fuel prices, which added Y13bn to fuel costs compared with the previous first half. However, ANA believes it can offset the higher costs with a cost-reduction exercise in which it plans to cut overall costs by Y30bn in the year.

Nevertheless, the airline forecasts full-year revenues at Y880bn, or Y3bn lower than expected, while recurring profits will be Y17.5bn, or Y1bn below earlier forecasts. ANA blames the slow recovery of the economy and intensified competition in the domestic market.

Flight paths

A share prices relative to the Nikkei 225 Average



Source: Datastream

Glyn Genin

Class act: improved sales in high-priced sections helped ANA beat trends

Slow sales hit San Miguel

By Edward Luce in Manila

San Miguel, the Philippines' largest beer and food company, said net earnings after non-recurring items fell 23 per cent in the first nine months, to 2.99bn pesos ($113.7m) because of lower beer sales and a depressed farm sector.

Analysts said the company's mounting debt – with financing charges rising 120 per cent to 2.01bn pesos from January to June – and flat beer sales combined to push earnings down. Net revenue rose 9 per cent to 61bn pesos.

San Miguel's B-shares closed flat yesterday at 95 pesos.

"San Miguel is having a very bad year because of the depressed beer market and higher raw material costs," said Ms Alexandra Connor, an analyst at W. Carr. "The company has also been hit by higher tax charges and lower than expected revenues from its overseas operations."

For the year as a whole, analysts forecast that net profits are likely to fall at least 10 per cent for the year as a whole.

With its B-shares trading at a price/earnings ratio of 36 – almost twice the Philippine composite average – brokers say San Miguel is trading at an almost 100 per cent premium to the market.

However, the company's $1.6bn overseas investment programme, which includes breweries in China, Vietnam and Indonesia, is not expected to reap dividends until 1998. San Miguel says the proportion of revenues from overseas operations will rise from 13 per cent in 1996 to 30 per cent by 2000.

The company, which expects to be hit by a change next year in the excise tax on "sin prodncts" such as beer, said growth in most of its subsidiaries, including Coca-Cola Bottlers Philippines and San Miguel Properties, was healthy. The price of raw materials was also falling because of the start of recovery in the farm sector.

Tisco surprises with 25% rise

By Tony Tassell in Bombay

Tata Iron and Steel Co (Tisco), India's second largest steelmaker, surprised the market with better than expected first-half results.

The flagship of the hotels to trucks Tata group lifted net profit 25 per cent to Rs2.52bn ($70.6m) in the six months to September 30, from Rs2.01bn in the same period last year. The net profit was well above market consensus of expectations of around Rs2.2bn, and defied some even gloomier forecasts made earlier in the year.

The results added to an emerging trend of better than expected first-half figures from Indian companies over the past two weeks, after earlier forecasts of a slowing in corporate earnings growth. However, analysts said that as the first-half reporting season progressed, more negative results were expected.

Tisco's net profit would have been even higher but for the imposition of a 12.9 per cent minimum corporate tax by the Indian government in its July budget. This lifted its tax bill from nothing last year to Rs373.5m.

Mr Anurag Mathur, analyst with Peregrine Securities, said Tisco had managed to shrug off cost increases with improved sales volumes, and a 4 per cent average rise in product prices in April. This saw operating margins widen slightly, to 20.6 per cent compared with 20.4 per cent last year.

Tisco boosted its sales by Rs30.21bn in the first half, from Rs24.96bn. Production rose marginally, to 1.33m tonnes from 1.32m tonnes. However, the overall volume of steel increased 8 per cent to 1.194m tonnes from 1.108m tonnes as Tisco sold down inventory levels.

Sales of hot rolled coils rose from 282,000 tonnes in the first-half to 436,000 tonnes. Cement sales also rose, to 629,000 tonnes from 436,000 tonnes.

Shares in Tisco fell Rs6.75 to Rs180 ahead of the release of the results, after the close of trade. However, in unofficial after-hours trading, the stock climbed back to Rs183 in response to the figures.

ASIA-PACIFIC NEWS DIGEST

India automakers ease industry fears

Concerns over a potential slowdown in the Indian auto industry have been eased by strong first-half results from two leading sector companies, Bajaj Auto and Mahindra & Mahindra. Bajaj Auto, the world's largest manufacturer of scooters, lifted net profits 27 per cent to Rs2.25bn ($63m) in the six months to September 30, from Rs1.77bn in the same period last year.

Mahindra & Mahindra, the utility vehicle maker which is now producing Escort cars under a joint venture with Ford, lifted net profit by 25 per cent from Rs738.1m to Rs924.3m. Analysts said both sets of results were largely in line with expectations, and bad eased fears of an slowdown in demand for vehicles and inventory build-ups amid a slowing in economic growth this year.

Tony Tassell, Bombay

Tough year for Lion Nathan

Lion Nathan, the New Zealand brewer, reported a 25.7 per cent drop in earnings to NZ$150.4m (US$106.1m), which it blamed on a "tough" year in its Australian brewing business, sharply higher tax and currency changes. However the company, the biggest liquor group in Australia and New Zealand, said its expansion into China was going well, and that the New Zealand liquor and soft drinks businesses showed improved earnings.

Earnings for the year at the Australian brewing operations – which include XXXX, Tooheys and Swan – fell 2.8 per cent to A$243.4m (US$193m), although sales revenue rose slightly to A$1.5bn.

Terry Hall, Wellington

Japanese chemicals mixed

Japanese chemical companies yesterday reported mixed interim results, amid sluggish demand for petrochemical products and synthetic fibres, rising costs for raw materials, and higher capital spending.

Mitsubishi Chemicals, the country's largest general chemicals manufacturer, announced a 98.3 per cent plunge in unconsolidated recurring profits to Y2.19bn ($19.3m), because of declining markets for its mainstay petrochemical products, and rising prices of raw materials.

Mitsui Petrochemical Industries, the leading maker of synthetic textile materials, suffered a 10 per cent fall in unconsolidated recurring profit, to Y7.65bn. Net profits fell 1 per cent to Y5.31bn on sales of Y153.85bn, down 3.7 per cent.

Hitachi Chemical, a synthetic resins processor and producer of molded parts for vehicles and housing equipment, reported an increase in interim earnings in spite of a slight fall in sales. Unconsolidated recurring profit rose to Y5.5bn from Y4.9bn a year earlier, while sales were Y125.6bn, down from last year's Y127.2bn. For the full year, Hitachi Chemical expects recurring profits of Y11.2bn on sales of Y257bn.

Nissan Chemical Industries, meanwhile, reported robust earnings growth on increased exports of its core chemicals, helped by the dollar's rise against the yen. Unconsolidated recurring profit rose 25.7 per cent to Y2.16bn, on sales of Y44.9bn, up 1.4 per cent. Net profit grew 28.8 per cent to Y969m.

Gwen Robinson, Tokyo

Mitsubishi Materials surges

Mitsubishi Materials, Japan's leading manufacturer of metals and ceramics, reported an increase of 90.4 per cent in first-half unconsolidated recurring profit, to Y5.13bn ($45m), on brisk sales of cement and silicon, the main material for microchip production. The weakening of the yen against the dollar, and continued low interest rates in Japan helped boost the result.

Sales in the first half rose 3.5 per cent to Y361.88bn, on rising exports. Net profit surged 288.2 per cent to Y2.21bn, or Y1.94 per share.

Japan's third-largest copper producer, Sumitomo Metal Mining, also announced increased first-half profits of Y6.48bn, up from Y2.85bn, while sales edged up to Y200.2bn from last year's Y198.7bn. For the full year to March, Sumitomo Metal expects recurring profits of Y12bn on sales of Y410bn.

Gwen Robinson

Nikon weathers chip downturn

Nikon, the Japanese maker of cameras and semiconductor manufacturing equipment, weathered the downturn in the semiconductor market, and doubled recurring profits in the first half, to Y10.5bn ($92m). The increase came on the strength of buoyant demand for its steppers, which are used to manufacture semiconductors. Net profits totalled Y5.8bn, compared with Y2.8bn a year earlier.

Parent company sales rose 31 per cent, to Y151.9bn. The rise was attributed mainly to an increase in sales of its semiconductor manufacturing equipment, which commands high prices.

Michiyo Nakamoto, Tokyo

Orogen institutional offer at A$2

By Nikki Tait in Sydney

The institutional sale price for shares in Orogen Minerals, the company set up to hold the Papua New Guinea government's interests in various local resource projects, was set yesterday at A$2 a share – a 17.6 per cent premium to the price at which they were offered to the general public in Australia and New Zealand.

The institutional price values Orogen at A$642.5m (US$508.7m) and raises around A$237.7m of new capital for tha company. This will be used in part to complete Orogen's purchase of a 20.5 per cent stake in the Gobe oil fields, dne to come on stream in 1998.

After the sale, the government-owned Mineral Resources Devslopmant Company will continue to own a controlling 51 per cent stake in Orogen. The remaining shares are due to start trading on the Australian Stock Exchange this morning.

Mr David Beatty, Orogen's Canadian-born chairman and a former economic adviser to the PNG government, said yesterday the company had heen "delighted" with the interest shown in the offer. According to Orogen, more than 360 institutions applied for more than A$2bn of sbares. The institutional demand was spread across two dozen countries.

Orogen said that of the 153.7m shares put up for sale, about one-fifth would go to Australian retail investors, who were offered shares at a fixed price of A$1.70. A further one-fifth would go to retail and institutional investors in Papua New Guinea. They were also offered shares a fixed price, set at K1.57 for the first 2,000 shares and at K1.75 beyond this.

The remaining 60 per cent will be allocated at A$2 a share to institutional investors – both PNG-based and international – who applied under the global offering.

Orogen said yesterday it was particularly pleased that 6,500 retail investors in PNG had applied for shares. In total, about 30 per cent of shares being sold should end up in PNG-based hands. At present, the country does not have a stock exchange – although the government has expressad enthusiasm for establishing one – so this stock will have to be traded through Australia.

The Orogen float is one of the first privatisations in the resource-rich but economically troubled Pacific country. In 1995, PNG agreed a "structural adjustment programme" with the World Bank in return for financial support, although there has been dispute over PNG's progress and a second loan tranche has been withheld.

The resource projects in which Orogen has investments include the Porgera, Misima and Lihir goldmines, and the Kutubu and Gobe oil projects.

EUROPEAN NEWS DIGEST

Strong demand lifts Borealis

Strong demand for raw materials for the plastics industries boosted third-quarter profits at Borealis, the polyolefins joint venture between Norway's Statoil and Finland's Neste with its headquarters near Copenhagen. Third-quarter pre-tax profits were DKr302m ($52.2m), taking profits for the first nine months to DKr466m against DKr2.99bn after nine months last year. In the third quarter of last year, when industry margins were very high, profits were DKr836m.

Sales for the quarter fell 1.7 per cent, from DKr4.14bn last year to DKr4.08bn, while after nine months sales were down 16.7 per cent, from DKr13.84bn to DKr11.54bn. Borealis said the third-quarter improvement was driven by higher volume sales, better prices and cost reductions. Toward the end of the quarter, higher feedstock prices, reflecting strong prices for crude oil, partly offset higher polyolefin prices, the interim statement said.

The group said its "value for money" improvement programme, aimed at improving processes and efficiency, had already achieved its target for the year – a net benefit of DKr200m. As a result of the programme, fixed costs were on a falling trend.

An important next step in the value for money programme is the transfer of small-volume sales in Europe to the European chemicals distribution group, Ashland Plastics, which will leave Borealis to concentrate on marketing to its big customers. The transfer takes place in the current quarter. Borealis said the early days of the fourth quarter had brought further improvements which would contribute to profits for the year.

Hilary Barnes, Copenhagen

RWE wins telecoms licence

RWE Telliance yesterday became the second German company to be awarded a licence to provide a nationwide telecommunications network in competition with Deutsche Telekom, the post and telecoms ministry announced yesterday.

The company, a subsidiary of the RWE power supply group, will be able to provide liberalised services such as data transmission on its already existing 8,000km fibre-optic cable system. A public telephone service will have to await full liberalisation of the German telecommunications market from January 1998.

The ministry awarded a nationwide licence to Vebacom, the telecoms subsidiary of the Veba conglomerate, last month and has also awarded eight regional licences. The European Commission stipulated that two nationwide licences should be issued by today as one of the conditions for allowing Telekom to introduce corporate client rebates.

Peter Norman, Bonn

CME increases US offering

Central European Media Enterprises (CME), the US pioneer of private commercial television in eastern Europe, has increased its US stock offering from 3m to 4.8m shares in response to strong investor demand. The issue has been priced at $27.50 a share, which would allow the company to raise gross proceeds of $132m. CME, which began broadcasting in the Czech Republic with Nova TV in February 1994, is Nasdaq-quoted and is controlled by Mr Ronald Lauder, one of the heirs to the Estée Lauder cosmetics fortune.

The underwriting group for the share issue, led by Schroder Wertheim, Prudential Securities and Smith Barney, has been offered options to purchase an additional 720,000 shares, which could increase total gross proceeds from the issue to about $150m.

CME is co-owner of the leading commercial television stations in the Czech Republic, Romania, Slovenia and Slovakia and has growing interests in Ukraine, where it has plans to apply for licences to develop a new national television station. It is expected to be one of the front-runners in the forthcoming tenders for national licences in Hungary, and last month was awarded its first broadcasting licences in Poland, the biggest single market in central Europe.

The group has previously raised gross proceeds of $168m, from an initial public offering in October 1994 ($76m), and a second issue in November last year ($92m). CME and its joint venture partners are broadcasting to 86m people, including 77m in eastern Europe and 9m in Germany. In Romania, the group is seeking to expand its operations from TV into telecoms.

Kevin Done, East Europe Correspondent

Traub unit bankruptcy filing

Traub, the German machine tool maker, said its wholly-owned subsidiary Heckert Chemnitzer Werkzeugmaschinen had filed for bankruptcy yesterday in Chemnitz, Germany. The court appointed Mr Klaus Siemon temporary receiver, said Traub, which on October 15 filed for insolvency owing to an "inability to pay" its creditors, of which the largest is Deutsche Bank. If talks with the creditors on a repayment scheme fail, Traub could be forced into bankruptcy. *AP-Dow Jones, Bonn*

Nycomed revamp welcomed

Shares in Norwegian pharmaceuticals group Nycomed rose strongly yesterday on the company's announcement of a series of measures to cut costs and restructure operations. Nycomed's shares surged NKr5.50, or 6 per cent, to NKr88.50. The group said it expected to make savings of NKr600m ($94.2m) from a new programme, Focus '98, designed to adjust the group's strategy to reduce costs in some areas and increase investment in others. The savings are expected to be take effect by 1998.

"This is what the market has been waiting for," said one Oslo-based broker. "Restructuring, cost-cutting and a refocus. The market is bullish on this. In the short run, we see potential of [a share price for the A stock] of NKr100." Nycomed announced the programme while posting 1996 nine-months pre-tax profits down 32 per cent on last year, from NKr1.32bn to NKr898m. *Reuter, Oslo*

Alcatel sells Lafarge stake

Alcatel Alsthom, the French power and electronics group, said it had sold its 2.2 per cent stake in Lafarge to Lafarge itself for FFr650m ($129.5m). The 2.12m shares changed hands for FFr310 each. The sale was part of Alcatel's divestment programme, announced by Mr Serge Tchuruk, chairman and managing director, which is expected to bring in FFr10bn by the end of the year. *AFX News, Paris*

Snecma buys out subsidiary

Soecma, the French aviation engine group, yesterday bid FFr625 each for all outstanding shares in its subsidiary Société Européene de Propulsion, in which it holds a 51.26 per cent stake, the French bourse authority SBF said. SEP shares, which have been suspended on the secondary market since October 23, will remain suspended until further notice. *AFX News, Paris*

ABN Amro arm in SA move

ABN Amro, the Dutch bank, said its securities subsidiary ABN Amro Hoare Govett, owned jointly with Kagiso Financial Services of South Africa, acquired a 40 per cent interest in South African stockbroker Huysamer Stals. ABN Amro also acquired a minority stake in Kagiso Financial Services, whose largest shareholders are N.M. Rothschilds & Sons and Kagiso Trust investment company of South Africa. ABN Amro declined to comment on how the 40 per cent interest in Huysamer Stals is divided between ABN Amro Hoare Govett and KFS, or on how big a stake it is taking in KFS.

AFX News, Amsterdam

Dresdner confirms direct banking plans

By Andrew Fisher in Frankfurt

Dresdner Bank yesterday announced a 30 per cent rise in operating profits to DM1.89bn ($1.25bn) for the first nine months and confirmed plans to open a direct banking operation next year.

The improved result was in line with the performance at the halfway stage, although Mr Jürgen Sarrazin, chairman, said recently growth had slowed in the third quarter. The bank repeated its forecast that the full year's result would show a "marked double-digit" percentage increase. The shares fell 50 pfennigs to close at DM40.50.

The German bank has already made nearly as much profit in the January-September period as in the whole of 1995, when operating profits rose 22 per cent to DM1.99bn. The improvement reflects the first-time inclusion of Kleinwort Benson, the UK merchant bank acquired last year.

Commission profits remained buoyant, with a 42 per cent jump to DM2.83bn, reflecting strong securities business. Kleinwort Benson alone lifted the bank's fee income by more than 25 per cent. Interest income was 8 per cent higher at DM5bn. Own-account financial trading profits were 15 per cent lower at DM456m, but the bank said profits yet to be realised would lead to a rise of at least 10 per cent for the full year.

The integration of Kleinwort Benson pushed costs up 16 per cent to DM6.1bn; the rise would have been 5 per cent without the UK merchant bank. Loan-loss provisions were 10 per cent higher at DM857m – with further funds set aside for risks among medium-sized companies – while profits from securities in the liquidity portfolio rose 105 per cent to an "unusually high" DM605m. This followed sales of bonds and industrial shareholdings of less than 5 per cent.

Mr Sarrazin said Dresdner's new direct banking operation, to be run from Duisburg in the Ruhr region, would start in the second half of 1997 and offer attractive products and a high level of advice. Dresdner would give more details on Monday.

Deutsche Bank and Commerzbank opened direct banking operations last year – with Bank 24 and Comdirect respectively. Bayerische Vereinsbank launched Advance Bank in March, laying stress on investment advice and cash management. Citibank of the US also operates a direct bank in Germany.

Mr Sarrazin said Dresdner would push ahead next year with changes in retail banking, making greater use of technology to free staff for customer advice. He repeated the bank's goal of cutting its cost/income ratio to well below 70 per cent.

● BHF-Bank was confident it could survive as an independent bank at a time of speculation about possible mergers in German banking. Mr Wolfgang Strutz, chairman, said. Allianz, the insurance group, owns around 15 per cent of the bank, but does not regard this as a strategic holding. Mr Strutz said he was sure Allianz would not sell against the bank's wishes.

He was speaking after announcing a 7 per cent rise in operating profits, to DM258m, in the first nine months, with interest income up 8 per cent at DM568m and commission income 5 per cent higher at DM333m.

Own-account trading profits were flat at DM67m. Cost growth was kept at 5 per cent.

Mr Wolfgang Strutz said medium-sized and specialist banks still had an important role to play in Europe. BHF-Bank, often mentioned as a possible takeover candidate, has been concentrating on investment banking and advisory business, and moving away from corporate lending.

KNP upbeat on year despite third-term fall

By Gordon Cramb in Amsterdam

KNP BT, the Dutch paper, packaging and distribution group, has maintained its full-year earnings forecast in spite of 67.2 per cent fall in third-quarter net profits to Fl 38m ($22.5m).

When reporting interim net earnings of Fl 101m this summer, it said the second half should be "somewhat higher" than that. The company reiterated this yesterday, noting that the final three months of the year were traditionally its best.

This will require an after-tax result in the current quarter above Fl 63m, compared with the Fl 76m posted in the same period of 1995.

Although that was struck after a Fl 75m extraordinary charge to cover write-offs on divestments, it came at a time when paper prices remained strong.

KNP, led by chairman Mr Frank de Wit, said yesterday "a first increase of paper prices" was achieved in the July-September quarter after a slide earlier this year left values for some grades near historic lows. The shares closed down Fl 0.60 at Fl 37.40.

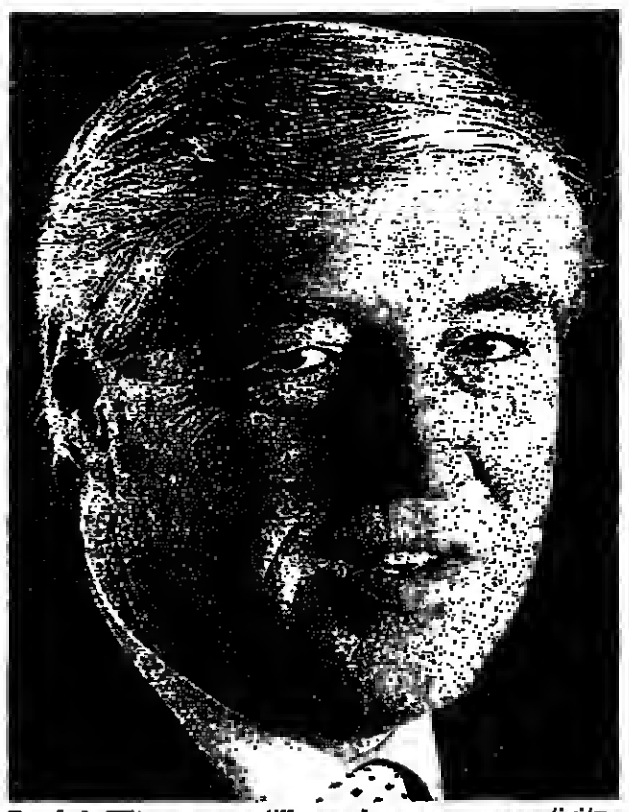
Five weeks ago the group said it was seeking an industry partner for KNP Leykam, its paper division. It said it was halting new investment in the unit and implied it would even consider leaving the sector.

Yesterday KNP sought to retreat from that position. Although it was seeking an alliance, "we still regard paper production as a core activity at this moment", an official said. Whethar this left it with a minority stake in the division "could be discussed".

KNP declined to say whether it was yet in talks with any potential partner.

Leykam incurred an operating loss of Fl 7m in the latest quarter. This compares with profits of Fl 108m a year earlier, but is a reduction from the Fl 17m operating deficit in the preceding quarter. "Although sales volumes were good, margins were still at a very low level," the company said.

Its packaging side produced operating profits of Fl 57m against Fl 39m, with the increase attributed to stable raw material prices, better volumes, and cost reductions. But there was a dip at the distribution division, from Fl 61m to Fl 58m. The 70 per cent-owned BT Office Products International contributed less than expected.



Frank de Wit: company still regards paper as core activity

Polish builder faces collapse

By Christopher Bobinski in Warsaw

Espepebe is Poland's first listed company to face bankruptcy since the revival of the Warsaw Stock Exchange five years ago.

Until yesterday, shares in the troubled construction company had fallen 45 per cent since last week. Yesterday, bargain hunters forced the stock up 10 per cent.

The company is controlled by the acquisitive Bank 1G, which took a strategic stake in Bank Gdanski when it was privatised at the end of last year. Bank Gdanski and Bel Leasing, a Bank 1G subsidiary, together hold a 22 per cent stake in Espepebe.

The collapse in the share price, which cut Espepebe's market value from 12.4 zlotys ($4.4m) to 6.8m zlotys followed an admission by Mr Andrzej Hass, the new managing director, that his company would go bankrupt unless creditors agreed to forgive 80 per cent of 35m zlotys in debts. Mr Hass also wants to renegotiate some of Espepebe's loss-making contracts.

Nevertheless, the fall in the stock price, which left the Szczecin-based builder with a price to book value ratio of 0.45, has encouraged investors to buy into the company. Around 7 per cent of its equity changed hands yesterday and the day before, when the share price was at its lowest.

Espepebe, which reported a 17.8m zlotys net loss last year, faces a deficit this year of 30m zlotys, according to Mr Hass. The company's problems stem from an aggressive marketing policy which sought contracts at any price, leaving no room for profit. This was coupled with ambitious and mismanaged plans for housing and shopping developments which further affected the balance sheet.

Espepebe's situation contrasts with the performance of the WSE's other listed construction companies, which account for 6 per cent of the market's $7.7bn capitalisation. The sector as a whole is reporting a price to book value of 2.02.

Framatome chief attacks merger plan

By David Owen in Paris

The head of Framatome yesterday hit out at proposals to merge the French nuclear plant and fuel manufacturer with the GEC Alsthom power engineering and transport equipment group.

He warned the plans could pose a threat to the long-term survival of France's nuclear network and its ability to pursue an independent energy policy.

Mr Jean-Claude Leny told the economic affairs commission of the French Senate that a merger could harm co-operation with Germany on the replacement of Europe's existing nuclear power stations.

He also suggested there were few synergies between the activities of Framatome and GEC Alsthom, a joint venture between Alcatel Alsthom, the French telecoms and engineering group, and the UK's General Electric Company. The only possible synergy was in turbine manufacturing, he said, and this accounted for only 3 per cent of the group's activities.

The comments of the Framatome chairman, who is expected to stand down at the end of the year, came two months after it emerged that Alcatel and GEC were discussing the merger, which would create the world's second-largest power engineering group.

But the idea of allowing a foreign company to take a stake in France's nuclear industry provoked much criticism. Alcatel, which owns 44 per cent of Framatome, recently reached an agreement with other shareholders to retain majority French control of the world's largest nuclear plant builder if GEC takes an interest.

Framatome has completed more than 60 reactors and was responsible for the atomic power programme which supplies France with 70 per cent of its electricity. In 1989, Framatome formed a joint venture with Siemens of Germany to develop a reactor – called a European pressurised water reactor – for France and Germany, and for export.

● France's privatisation commission is unlikely to pronounce on the French government's proposals to sell the Thomson defence and consumer electronics group to Lagardère until December or early 1997, Mr Jean Arthuis, French finance minister, indicated yesterday.

The process is expected to be a formality.

Strong economy lifts Den norske Bank

By Hugh Carnegy in Stockholm

A strong Norwegian economy helped Den norske Bank, the country's biggest financial services group, to increase profits in the first nine months of the year, in spite of a slowdown in a recent trend of writing back provisions made against loan losses.

Pre-tax operating profits rose from NKr2.1bn to NKr2.2bn ($346m) during the period.

Underlying earnings growth was stronger, as operating profits before write-backs grew from NKr1.73bn to NKr1.9bn.

The increase was helped by a near 4 per cent fall in operating costs, from NKr3.5bn to NKr3.36bn, as the bank reduced staff numbers by 470 to 5,627. The shares fell NKr0.30 to close at NKr21.10.

But Mr Finn Hvistendahl, chief executive, said performance was lifted by strong growth in the economy, a rise in lending to Norway's important shipping sector, and benefits from the takeover early this year of Vital, the insurance company. In the third quarter, operating profits before write-backs rose from NKr563m a year ago to NKr613m.

The rise in lending demand enabled DnB to sustain net interest income at almost unchanged levels despite narrowing margins between lending and deposit interest rates. Net interest income in the first nine months fell slightly, from NKr3.19bn to NKr3.17bn.

DnB continued to show gains from write-backs of provisions made against loan losses during the loan-loss crisis of the early 1990s - but at lower levels. Write-backs in the first nine months dropped from NKr374m to NKr303m.

The bank also benefited from low tax charges resulting from the carry-forward of previous tax losses sustained during the crisis. DnB showed tax charges in the first nine months of just NKr17m, leaving net profits up from NKr2.1bn at NKr2.2bn.

● Christiania Bank, Norway's second-largest banking group, announced yesterday that Mr Tom Ruud, former chief executive of the industrial group Aker, will take over as chief executive of the bank next year.

Mr Ruud will succeed Mr Borger Lenth, who is to retire by mid-1997. The new chief executive parted company with Aker last month.

US brewer leaves Budvar fighting for identity

Czech group faces marketing challenge after collapse of brand rights talks with Anheuser-Busch

Budejovicky Budvar, the Czech brewer, will have to start forging a new identity for itself after the recent breakdown of a 20-year effort to resolve a dispute over the Budweiser name with Anheuser-Busch, the world's largest brewer.

The US brewer recently aborted the talks, encouraged by its growing success and by court victories giving it a clear right to the Budweiser name it failed to gain at the negotiating table. It has had nine wins in European countries – five in the past year – and has 27 cases under way.

With the legal tide running strongly against it, Budvar, based in Ceske Budejovice, the Czech town known as Budweis in the Austro-Hungarian era, will have to stop using the name Budweiser on its bottles, several of its international competitors believe.

"The advantages of an agreement have fallen away," said Mr Jack Purnell, chairman of Anheuser-Busch International, the US brewer's overseas arm.

"We have achieved undisputed access to Europe for Budweiser and Bud", its two main brand names. It will sell about 30m cases, roughly 2.2m hectolitres of the beer in Europe this year, up 25 per cent from last year and about five times greater than Budvar's total exports.

But meeting across a court room rather around a negotiating table will present both parties with commercial risks and costs, fellow brewers believe.

Anheuser-Busch, for example, recently pulled out of a $145m Vietnamese brewing joint venture because Budvar registered the Budweiser name there in 1960. The US company said it was confident the country's trademark authorities would cancel Budvar's registration.

For Budvar, global legal proceedings could damp investor interest when it is privatised. The brewer is almost the only Czech enterprise still locked in the arms of the state.

The privatisation "doesn't depend on [the trademark] discussion", says Mr Josef Lux, Czech agriculture minister. Anheuser-Busch is not excluded from the sell-off, he adds, although it is unlikely to be considered while its threat of court action in Europe hangs in the air.

Anheuser-Busch was hampered in its efforts to persuade Budvar to settle by its sheer size and by a conviction among Czechs that the giant wanted to "wipe [Budvar] off the face of the earth", as the brewery's general director, Mr Jiri Bocek, claimed recently.

A 1911 agreement signed with Anheuser-Busch gave the Czech brewery rights to the Budweiser name in continental Europe, with the US company taking the rest of the world. Over recent decades, however, the agreement has failed to accommodate the two companies' aspirations.

Budvar gave increasing prominence to the name Budweiser on its labels, arguing it guaranteed consumers a place of origin and quality much like France's *appellation contrôlée* system. Anheuser-Busch believed Budvar was just cashing in on the international brand name it had created.

Anheuser-Busch at first linked a trademark settlement to its taking a stake in Budvar. But it became clear that such an agreement was unacceptable, both politically – to the government – and commercially, to Budvar, which insisted it did not need a foreign partner to help it market beer overseas.

The US brewery dropped that tactic two years ago and at the same time began piecemeal court action in various countries. The Czech brewer adopted a more professional and hardnosed approach to the trademark talks, hiring financial advisers to sketch its future and draw up privatisation plans.

Last September, both sides met in St Louis, Missouri, headquarters of Anheuser-Busch, to try to break the deadlock. But that attempt foundered on their differing estimates of the value of a settlement. The US company is understood to have offered Budvar $200m for a new trademark agreement and a separate deal on the purchase of Czech hops.

Budvar and the agriculture ministry, which led the talks on the Czech side, is believed to have put a value on the settlement of $1bn.

Budvar also welcomed the end of the trademark talks, saying it had shown its ability in the past five years to build up its own export sales. It has a strong position in the German market for imported beers and also sells in the UK, alongside US Budweiser.

"At 450,000 litres of exports, the Budvar brand is only worth about £50m ($81.5m) and the brewery itself another £25m-£30m," says a competing international brewer. So successfully has Anheuser-Busch pushed the Budweiser name globally that "whoever buys Budvar has got to start afresh to build a new identity separate from the American Budweiser".

Vincent Boland
Roderick Oram

COMPANIES: EUROPE

EUROPEAN NEWS DIGEST

Strong result at SPT Telecom

SPT Telecom, the Czech telecoms group in which PTT Telecom Netherlands and Swiss Telecom have a 27 per cent stake, yesterday reported unaudited pre-tax profits of Kc6bn ($223m) for the first nine months of 1996. Revenues jumped to Kc23.3bn with the addition of new customers through the expansion of the telephone network, and the company appears on target to achieve full-year revenues of Kc30bn. Costs were Kc17.3bn and net profit reached Kc3.8bn.

Comparative figures with the first three quarters of 1995 were not available because the company this year adopted international accounting standards, which are different from the Czech standards it used in earlier years. SPT made pre-tax profits of Kc7bn on revenues of Kc26.4bn for all of 1995.

In the nine months 272,000 new lines were installed, and SPT said it was confident of achieving its 1996 target of more than 400,000 new lines. SPT had 2.67m installed lines at September 30. It is undertaking a big modernisation drive to expand its network and spent more than Kc20bn in the period, more than the full-year investment programme for 1995.

Vincent Boland, Prague

De Benedetti in dealing probe

Lawyers for Mr Carlo De Benedetti, former chairman of Olivetti, yesterday confirmed press reports he was under investigation by Turin magistrates for alleged insider dealing in shares of the troubled Italian information technology and telecoms group.

Mr De Benedetti's lawyers also said he would shortly be presenting documents to Turin magistrates to refute any suggestions of insider trading of Olivetti shares. The investigation is understood to relate to events at the end of August just before the publication of Olivetti's accounts that were to reveal fresh losses of L440bn ($290m).

In a separate development, Consob, the Italian stock exchange watchdog, is reported to have requested more information from Olivetti regarding some of its factoring activities and tha valuation of the sale of a 14.7 per cent stake in Acorn, the UK-based software company.

Robert Graham, Rome

SSAB hit by lower prices

SSAB, the Swedish steel maker, posted profits after financial items for the first nine months down 44 per cent from SKr2.859bn to SKr1.603bn ($245m). The results were slightly below expectations, but the shares closed up SKr0.50 at SKr96. Net profits fell from SKr2.093bn to SKr1.137bn and earnings per share from SKr15.80 to SKr8.90. Operating profits dropped from SKr2.618bn to SKr1.297bn on sales down from SKr14.08bn to SKr13.03bn. SSAB said it had decided to invest SKr500m in its Plannja HardTech unit. Of this investment, SKr440m would be used to build a new production unit in North America and SKr60m to expand its existing plants in Luleaa in Sweden. SSAB reiterated its previous forecast that full year profits would be half of those reported in 1995. SSAB said steel prices had fallen since the fourth quarter of 1995 and continued to be pressured, which was expected to lead to additional deterioration of margins in steel operations in the fourth quarter of the year.

But it said there were signs that prices were now stabilising. The company said it expected fourth quarter deliveries from the steel operations to remain at approximately the same level as a year earlier, while deliveries from the trading and further processing operations were expected to be somewhat lower.

Mr Leif Gustafsson, chief executive, said 1996 was expected to be a tough year for the European steel industry, with steel consumption forecast to fall about 7 per cent and downward price pressures remaining. In the third quarter, he said price pressure on the company's steel products was limited to only 1 per cent compared with the second quarter, largely owing to an improved product mix. Prices in the nine-month period were about 12 per cent lower than a year earlier.

He said deliveries from SSAB's steel operations were largely unchanged, while volumes in the trading operations were around 5 per cent lower than 1995. Sales in the nine-month period fell to SKr13bn from SKr14bn with 8 percentage points of this attributable to lower prices and 2 points to lower volumes.

AFX News, Stockholm

KPN faces protest over TNT

VKL the association of Dutch courier and express delivery companies, has lodged a complaint with the European Commission alleging that KPN, the partially privatised posts and telecoms group, is using profits from its postal monopoly to fund its planned Fl 2.7bn ($1.6bn) takeover of TNT, the Australian parcels company. Brussels is due to rule next week on whether the deal, cleared yesterday by the Australian authorities, warrants further scrutiny.

Mr Hans Koeleman, of Transport en Logistiek Nederland, an industry grouping of which the 300-member VKL is part, said yesterday: "The takeover will intermingle its monopoly and non-monopoly activities. It will be too strong a competitor in the Dutch market." The association wants an end to KPN's sole right to deliver letters weighing less than 500 grammes – an idea to which KPN has said it is not opposed, as long as such deregulation happens EU-wide. PTT Post, its mail arm, which also includes private sector parcel activities, brought in net earnings last year of Fl 541m.

Gordon Cramb, Amsterdam

Spain urged to open telecoms

The board of the Unisource telecommunications alliance yesterday appealed to the Spanish government to open up its telecommunications market as soon as possible so that it could receive European Union approval. "If the Spanish telecommunications market is not liberalised, the Unisource operation won't be approved," Mr Lars Berg, chairman of the European group, said. The European Commission has said it will only approve the Unisource alliance if Spain opens up its telecoms market by January 1, 1998, waiving a five-year delay.

Unisource groups include KPN of the Netherlands, Telia of Sweden and Swiss Telecom PTT. Telefónica, the Spanish group, has 25 per cent of the alliance. Once it is authorised, Unisource wants to conclude a joint venture with AT&T of the US to offer its service on a global, rather than European, level. "I can't emphasise enough how important the Spanish government's collaboration is [in this matter]," said Mr Berg. Brussels was expected to make a decision before of the World Trade Organisation meeting in Singapore in December.

Mr Juan Villalonga, Telefónica chairman, said the Spanish company's shares would suffer if its participation in Unisource was not authorised. "The non-integration would have a negative impact of between 15 and 20 per cent on the share price of Telefónica," he said.

Reuter, Madrid

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COMMERCIAL PROPERTY

LEGAL NOTICES

IN THE SUPREME COURT OF BERMUDA CIVIL JURISDICTION
1983: NO. 29
IN THE MATTER OF THE COMPANIES (WINDING-UP) ACT 1977 AND
IN THE MATTER OF THE INSURANCE ACT 1981 AND
IN THE MATTER OF DOVER INSURANCE COMPANY LIMITED-IN LIQUIDATION

NOTICE TO CREDITORS OF INTENTION TO DECLARE DIVIDEND

TO: All persons who (a) appear from the records of the company to have contractual relationship with the company AND (b) have not filed a proof of debt in the liquidation of the company

TAKE notice that a second interim dividend is intended to be declared in this matter. The dividend is likely to be 20 cents.

The Liquidator has previously notified you of the claims filing deadline established as March 31, 1991 and no claim was filed by you. Consequently, the Liquidator may proceed to distribute the dividend only to those creditors who have lodged proofs of debt within the filing deadline, unless (a) you lodge a proof of debt within 14 days of this notice and (b) you show just cause why the proposed dividend should not be declared and paid as proposed.

Dated this 1st day of November, 1996

Nicolette J. Reiss,
for and on behalf of
Charles W. Kempe, Jr.
Liquidator

Caracas sets CANTV reference price

By Raymond Colitt in Caracas

The Venezuelan government yesterday announced the reference price for the sale of its 49 per cent stake in CANTV, the telecommunications company.

The price range has been set at $3.071 to $3.50 per share, or $31.50 to $34.50 per American Depositary Receipt. The sale, due on November 27, will raise up to $1.01bn and will be the country's largest initial public offering.

A total of 289.4m shares will be offered, of which 50m are to be placed on the Venezuelan market. In addition to the 40 per cent share package being sold globally, CANTV employees are being offered a 9 per cent stake.

The government insists that the CANTV offering does not conflict with the placing of other shares. "We see a window of opportunity that favours the placement, as there are no similar offerings by developing countries," said Mr Alberto Poletto, head of Venezuela's privatisation agency, Fondo de Inversiones de Venezuela.

Industry analysts say that growth prospects for the telecommunications industry in Venezuela are favourable, with a rapid economic recovery expected. However, they say that CANTV's sale price could be affected by the fact that its monopoly ends in the year 2000.

According to Mr Poletto, this is the "first time that international investors are analysing stocks placed by the Venezuelan government." He added that "this privatisation is a measure of the country's credibility".

The Venworld Telecommunications consortium – made up of GTE, AT&T, Telefónica de España, Venezuela's Banco Mercantil and Electricidad de Caracas – currently holds a 40 per cent share in CANTV.

A road show by CANTV and FIV officials, scheduled to be launched today in Venezuela and Monday in Europe, precedes the opening of a three-week book-building process to conclude on November 21 with the pricing and placing of the shares on November 27. The two global lead managers of the offering are investment banks Lehman Brothers and SBC Warburg.

The CANTV IPO marks the revival of Venezuela's stalled privatisation process, which lacked political support and bad run into bureaucratic problems during the first two years of the current administration. Mr Poletto said that the government now expected to raise some $4.5bn over the next five to six months.

Dun & Bradstreet opts for divorce

Break-up is seen as the best way to cater for the diverse needs of the business

Dun & Bradstreet, today does the splits. The 155-year-old information conglomerate is dividing into three.

Two publicly listed companies – Cognizant and AC Nielsen – are being created through a tax-free special dividend and start trading today. The rump of Dun & Bradstreet – Moody's and other credit services – continues as a separate entity.

The aim of the split, says Mr Bob Weissman, the youthful 56-year-old former chairman of D&B and new chief executive of Cognizant, is to enhance shareholder value by allowing the companies to preserve good strategies and make better decisions.

Managing the old D&B became increasingly difficult because it was so diverse, he explains. The company included mature but highly lucrative businesses such as Yellow Pages and Moody's, the ratings service; AC Nielsen, the barely profitable information group supplying data for the fast-moving consumer goods industry; and rapidly-growing operations such as IMS, the healthcare information group, Nielsen Media Research, the television audience measurement service, and Gartner, the quoted information technology consultancy.

"Look, the businesses bad very different positions and needs," says Mr Weissman. "Frankly, there were a lot of tensions. Take AC Nielsen and IMS – they shouldn't bave been on the same planet, let alone in the same organisation."

Mr Weissman explains that AC Nielsen was in a highly competitive environment. The rigbt strategic move was to invest beavily in new services. But D&B's dividend was absorbing 70 per cent of free cash flow, making that investment difficult to fund.

In contrast, IMS wanted to expand through acquisitions. But the shortage of cash held back its ambitions, and the high dividend made using stock issues expensive. An effective acquisition policy was impossible.

The split has meant a cut in dividend, concedes Mr Weissman. Cognizant, which includes IMS, Gartner and Nielsen Media Research, will have a pay-out ratio of 8 per cent; AC Nielsen will not have a dividend; and the D&B rump – essentially Moody's – will bave a payout ratio of 48 per cent. Merrill Lynch, the US broker, estimates the combined quarterly dividends of the three groups will be only 25 cents, against 66 cents before.

"The decision was made easier because the rationale for the old company had come to an end," says Mr Weissman. "Say, 15 years ago, there were economies of scope and scale because most of the divisions were in the business of processing large volumes of data. That meant they needed huge investments in information and communications technology.

"But the cost of computing has fallen so much that the paradigm for competition is no longer scope and scale, but speed. Size is no longer an advantage – in fact it can be a liability."

Mr Weissman has chosen to manage fast-growing Cognizant. IMS, Gartner and Nielsen Media Research are diverse businesses, but be insists this is no problem.

"It's misleading to think in terms of the end-market. The important synergies are in value-added costs. All three need significant technological expertise, database management and communications technology. There are a lot of shared competencies."

Robert Weissman chairman Cognizant

Mr Weissman and bis team, which will be remunerated mainly hy the group's share performance, are ambitious for Cognizant which has achieved a compound annual operating profit growth rate of 15 per cent for the past five years.

Not least it wants to grow through acquisition. "The investment bankers are telling us we could fund $1bn of acquisitions without difficulty – and that's just cash. We could use stock as well."

In the mid-term most acquisitions will be in healthcare, says Mr Weissman. The aim is to expand IMS, which will account for about 60 per cent of Cognizant's sales, geographically.

IMS will also expand its customer base. Historically, the group has supplied data mainly to marketing and sales sections of pharmaceutical companies, says Mr René Derecque, president of IMS International. He aims to target research and development departments and regulatory affairs sections.

"Everyone is looking to control healthcare costs," says Mr Weissman. "The lubricant of efficiency is information and there is an explosion in demand for such data. Nobody dominates that, but we're in a good position to do so."

Mr Weissman dismisses suggestions that health maintenance organisations, which increasingly control healthcare budgets, threaten to squeeze its US business.

As for the other businessea, Nielsen Media Research has huge opportunities in monitoring the Internet. And be intends Gartner to achieve $1bn sales by the end of the decade. "That's explosive. In 1990, it had revenues of just $80m," he says.

So far, the markets seem dubious about the plan, not least because of the dividend cut. Despite well-received road-shows, the shares have fallen from $63.13 since January 8, before the break-up was announced, to $57⅞.

Over the same period the shares have underperformed the S&P composite index by 20 per cent. Mr Weissman's strategy may prove sound, but he has his work cut out to convince the markets of its validity.

Paul Abrahams

CVRD net profits advance by 34%

CVRD, the Brazilian mining group preparing for privatisation in one of the biggest offerings in Latin America, announced a 34 per cent rise in net profit in the nine months to September 30, to R$280m (US$272m) compared with R$209m in the same period in 1995, agencies report from Rio de Janeiro. Earnings per share were R$0.72 against R$0.54 in the comparabla period.

The results were broadly in line with analysts' expectations.

Nine-month net revenue was up 1.5 per cent compared with the same period in 1995, which the company attributed to a continued recovery in steel prices. CVRD said the revenne increase came in spite of a 3.6 per cent drop in the volume of iron ore sold to foreign markets, which account for 70 per cent of the company's sales.

The lower iron ore sales to foreign markets were tied to lower European demand, according to Mr Anastacio Fernandes, company director. Total iron ore sales dropped about 3 per cent.

Gross revenue from gold was up 0.8 per cent to R$153.2m.

Revenues from CVRD's railway and port services were stable at about R$437m. Railway revenues declined 1.9 per cent, while port revenues increased 6.3 per cent.

CVRD said its tax bill dropped 16.4 per cent to R$103m, largely due to the suspension of the value-added tax (ICMS) charged on its North System iron ore exports and South System pellets exports. The ICMS exemption saved the company R$24m.

The cost of products and services bought by the company declined 7 per cent, partly reflecting productivity gains derived from staff reductions.

CVRD's privatisation is expected to raise about US$6bn. The government hopes to auction 40 to 45 per cent of the company's voting shares in February 1997 before selling further shares to investors via a global offering.

This will be followed by an offer to employees of 10 per cent of the company's total capital (including 5.1 per cent of ordinary shares). A further 17 to 20 per cent of ordinary shares will be sold on Brazilian and overseas capital markets, probably by June 1997.

AMERICAS NEWS DIGEST

Data General ahead of forecasts

Data General reported stronger than expected earnings for its fourth quarter and year. The US mid-range computer manufacturer, whicb bas been struggling for several years, attributed its results to a successful transition to new products.

Net income for tbe fourth quarter, ended September 28, was $9.9m, or 24 cents a share. Wall Street analysts had been expecting earnings of about 19 cents a share. In the same period last year, the company reported net income of $1.5m, or 4 cents. Revenues for the quarter were $336.2m, up 7 per cent from $312.8m in the same period last year.

Data General's new computer systems, based ou Intel microprocessor chips, now represent more than 40 per cent of server sales, the company said. Revenues from storage systems also grew during the quarter.

For the year, Data General reported net income of $28.1m, or 68 cents a share, against a net loss of $46.7m, or $1.23, in fiscal 1995. The 1995 results included a restructuring charge of $43m as well as a pre-tax gain of $44.5m from the settlement of litigation. Revenues for fiscal 1996 grew 14 per cent to $1.32bn, up from $1.6bn in fiscal 1995.

The year-results represent "a dramatic turnround for Data General" said Mr Ronald Skates, president and chief executive. Data General's shares were trading at $14¾ in mid-session yesterday, unchanged from Wednesday's close. *Louise Kehoe, San Francisco*

Horsham and Trizec to merge

Horsham and Trizec, two companies controlled by Canadian financier Mr Peter Munk, received shareholder approval yesterday to merge into Trizec Haan, North America's second-biggest quoted property group with US$6bn assets.

Mr Munk took control of Trizec, formerly owned by the Bronfman family of Toronto, in a big financial restructuring in July 1994 as the North American property slump ended. He also controls Barrick, the big international gold producer, partly through Horsham.

The new Trizec Haan will be an international property group with a portfolio worth more than US$3.5bn including 50m square feet of commercial and office space in North America, principally the US, and a strong European base.

Trizec Haan stock will be traded on the New York, Toronto and Montreal stock exchanges. Horsham posted third quarter earnings of US$53m, or 49 cents a share, against US$14.1m, or 14 cents, a year earlier. Including special items, the latest quarter showed a loss of US$3.2m. Trizec, hitherto 48 per cent held by Horsham, posted third-quarter earnings of US$12.3m, or 11 cents, against US$11.3m, or 10 cents, on revenues of US$148m against US$135m. *Robert Gibbens, Montreal*

Dofasco may raise dividend

Dofasco, Canada's biggest steelmaker, is considering raising its dividend or buying back shares following a strong profit performance this year.

The company, which specialises in flat rolled products for the car industry, earned C$80.1m (US$37m), or 59 cents a share, in the third quarter, up 10 per cent from C$45.3m, or 52 cents, a year earlier. Nine-months profit was C$127.8m, or C$1.49, against C$124.2m, or C$1.45, a year earlier. Revenues were C$2.2bn against C$2bn. *Robert Gibbens*

Western Star hit by downturn

The cyclical downturn in North American heavy truck demand hit Western Star, the Canadian-based producer which owns ERF of the UK, in the first quarter of fiscal 1997. Net profit for the three months ended September 30 was C$7.1m (US$5.2m), or 56 cents a share, down from C$12.3m, or C$1.10, a year earlier, on revenues of C$281m against C$175m.

The quarter included extra cost for developing its new line of heavy trucks made in British Columbia. Lower demand had led to aggressive pricing and lower margins throughout the industry, said Mr Drew Fitch, executive vice-president. *Robert Gibbens*

Mitel advances to C$16.5m

Mitel, the Canadian telecommunications equipment group, exceeded market forecasts with net profit of C$16.5m (US$12.3m) or 15 cents a share in the second quarter ended September 27, up from C$15m or 13 cents a share a year earlier. Revenues were C$169m against C$149m.

Mitel, a PBX and semiconductor producer, bas set record sales over the past two quarters partly due to buying a Swedish semiconductor plant last Marcb. It is now moving aggressively into computer-telephone integration products. *Robert Gibbens*

Brewers try to solve dispute

By Robert Gibbens in Montreal

Molson Breweries, the Canadian brewer, will continue producing Coors beer in Canada until June 30 1997, while the two companies try to solve a long-term licencing dispute.

The dispute centres on the 1993 acquisition of 20 per cent of Molson Breweries by Miller of the US, a competitor of Coors. Coors complained it was not consulted, and Miller's purchase broke the terms of Coors' licencing agreement with Molson Breweries, which allowed Molson Breweries to produce Coors brands in Canada.

Molson Breweries is owned 40 per cent by Molson Companies, a holding company, and 40 per cent by Foster's of Australia.

Coors feared that its success in Canada would be restricted by Miller's place on Molson Breweries' board, which would give Miller access to Coors' marketing strategy. Molson Breweries denied Miller exercised control, and said it did not participate in any decisions relating to Coors.

On October 18, a Canadian arbitration panel ruled that Molson Breweries did break the licencing agreement. It ended the agreement as of April 1993, requiring Molson Breweries to face paying Coors its share of profits over 3½ years.

Molson said its earnings would be reduced by C$15m (US$11m) for the October 1996 to June 1997 period.

Both companies will continue talks to set up longer term arrangements.

Monsanto reaps benefit of genetic engineering

US group prepares for new 'green revolution'

When US soyabean farmers complete their near-record harvest this autumn, they will be reaping the benefits of change at Monsanto, the St Louis-based chemical and pharmaceutical company.

With this year's harvest, Monsanto will realise the first commercial fruits of a $1bn, 15-year research effort to enhance common plants through genetic engineering. Its transgenic soyabean, which was altered by inserting DNA from a common soil micro-organism into its genetic structure, resists Monsanto's own brand-name herbicide, and was available to farmers on a limited basis this year.

Although official results are not yet in, first reports are that the transgenic seed yielded 20 per cent more than its conventional neighbours and required fewer applications of chemicals – more than compensating growers for its premium price.

The "rewired" seed is expected to give new legs to Round-Up, the 25-year-old herbicide that accounts for more than half of Monsanto's total operating income. The "Round-Up Ready" soyabean is also one of Monsanto's earliest entries in the race to control and commercialise the science that some believe will form the basis of a new "green revolution".

Monsanto executives predict that genetically-altered seed will become a $6bn annual market within five years, as the world seeks ways to meet rising food demand while dealing with environmental concerns and the gradual exit of government from agriculture.

Mr Robert Shapiro, Monsanto chairman, is prepared to bet the farm on the new technology. Last month he announced Monsanto's plans to spin-off or sell its profitable specialty chemicals business. The divestiture, due to take place within the next few months, will leave Monsanto in three businesses, with agricultural products by far the largest. The others are food ingredients (where the lead product is the Nutrasweet sweetener) and Searle, the Chicago-based drug company.

Analysts say selling or spinning off the chemical unit will not bring new cash to the company, but will leave Monsanto with less debt, and with a high-growth business that requires very little capital investment. Mr James Wilbur, analyst with Smith Barney in New York, said over the longer term, it would not be surprising if Monsanto considered divesting either its drug or food ingredients units as well.

Chemicals accounted for 40 per cent of Monsanto's $7bn revenues in the first nine months of this year, but generated just 20 per cent of its $1.2bn operating income in the same period. Agricultural products, in contrast, generated $731m in operating income from January to September, a 25 per cent rise from a year earlier.

Shareholders are enthusiastically buying into Monsanto's new "life sciences" image, although profits from the bio-tech business have barely begun to trickle in. Monsanto's share price has behaved more like an internet start-up than a chemical company, rising from $18 two years ago to more than $41 this month (adjusted for a five-for-one stock split).

As in any high-tech industry, Monsanto's success in plant engineering depends on its ability to control proprietary technology all the way down the product stream and to get it into the fields at a premium price.

Gaining regulatory and consumer approval for the products outside the US – where there is the largest potential for transgenic seed – is central to their success. The company is learning this year that these approvals can be time-consuming and costly to obtain.

At home, Monsanto has invested nearly $750m in the past 12 months to purchase or partner seed companies that will distribute the new genetic "software" to farmers. It now owns the world's second-largest soyabean seed company, Asgrow; has a majority interest in Calgene, the California company that has leading transgenic patents for tomatoes and for higher-oil content oilseeds; and has a substantial interest in DeKalb, the second-largest maize seed company in the world.

While analysts agree Monsanto has the dominant position in the plant gene-transfer business, it is just one in a gathering of global giants. Its competitors include Novartis, (the result of the merger between Ciba-Geigy and Sandoz); AgrEvo, a consortium formed by Hoechst/Roussel Uclaf and Schering, and Dow Elanco, a joint venture between Dow Chemical and Eli Lilly.

Mr Sano Shimoda, analyst with BioSciences Securities says: "What we will sooo have is an agricultural-industrial complex based on strategic relationships between these firms," which will cover seed and chemicals distribution and even processing of transgenic crops.

Laurie Morse

Shell disappoints in third quarter

By Jane Martinson

Royal Dutch/Shell, the Anglo-Dutch oil group, reported third quarter earnings below market expectations yesterday, after restructuring charges and exploration write-offs.

Net profits fell to £1.12bn ($1.82bn), against £1.20bn, in the three months to September 30, on a replacement cost basis and excluding exceptional items. This was despite oil prices reaching their highest level since the Gulf war.

The shares fell 15p to £10.05½p after a strong run in recent months.

Mr John Toalster, sector analyst at Société Générale Strauss Turnbull, said: "These figures are somewhat disappointing given the strength of oil prices in the quarter."

Analysts had expected continuing difficulties in Shell's chemicals trading arm and squeezed margins in its refineries businesses. However, there was some surprise over the cost of up to $50m (£31m) for restructuring in Malaysia, where there had been 600 redundancies. Shell also wrote off exploration costs of £222m, some 54 per cent higher than last time.

Analysts' forecasts for 1996 profits range from £5.2bn to £5.8bn.

Exploration and production earnings provided the biggest fillip in the quarter, with a 74 per cent rise to £599m. This was mainly due to higher oil prices, but was helped by increased oil production, gas sales outside the US and lower costs. In the US, exploration and production earnings more than doubled to £155m.

Oil prices averaged $20.90 a barrel in the period, up 23 per cent on the year. Shell expected them to continue to be volatile, although they had been "robust" in the fourth quarter.

Cash flow of £1.96bn from operating activities was £500m lower than last time. However, Mr Henry Strick, head of investor relations, said this was due to a change in the accounting treatment of short-term debt.

The group had net cash at the period end, a position which Mr Strick said was "not part of the declared policy" of the group. One analyst said this indicated scope for a big dividend increase.

See Lex

Crack in glass prices knocks Pilkington

By Ross Tieman

A Europe-wide slump in prices for building glass knocked first-half pre-tax profits at Pilkington down 28 per cent to £75m ($122.3m).

The slide came despite a strong performance in the US, especially on the automotive side, and notwithstanding some £35m of benefits from an aggressive cost-cutting drive launched last year.

Reinforced by an unchanged dividend of 1.75p, the shares closed at 171p, up 1½p.

Sir Nigel Rudd, the chairman, said: "We would expect to see an improving trend in the second half of the year."

Like its chief rivals worldwide, Guardian of the US and St Gobain of France, Pilkington has been battling against a combination of falling prices and insufficient capacity utilisation in Europe since the beginning of 1995.

Prices of commodity building glass in this market, have fallen 25 per cent.

Price weakness in Europe is being compounded by the loss of traditional export markets in the Middle East and Asia as capacity there comes on stream.

As a result, operating profits from its European building products businesses fell 40 per cent to £42m in the six months to September 30.

Fergus Wilkie

Nigel Rudd, right, with Roger Leverton – expecting an improving trend in the second half

Mr Roger Leverton, chief executive, said that since June, Pilkington had been able to increase its selling prices from DM4.5 to DM5.5 per sq m. But capacity utilisation in its European plants is running below 90 per cent.

The company is seeking to accelerate the restructuring of the business, Mr Leverton said. It also plans to export 50,000 tonnes of glass, about a third of the annual production of one of its float plants, from Europe to the US during the second half to help meet strong demand there.

The US business achieved operating profit of £36m (£28m) during the first half on sales of £393m. The figures include a strong performance by the US automotive business, which is benefiting from earlier cost-cutting measures.

Product shake-up at Body Shop

By Peggy Hollinger

Body Shop, the environmentally-led cosmetics manufacturer and retailer, is to shake up its range of products in a bid to attract higher spending customers into its shops.

Mr Gordon Roddick, chairman, said the group planned to cut its range of green label products by about a fifth, eliminating the cheaper non-contributing lines. "The stores are overstocked like an overnight case that is overflowing," he said.

The revamp, which would also include new store formats, was part of Body Shop's strategy to chase the "higher average transaction customer", Mr Roddick said.

Meanwhile, the group was close to concluding its eight-month search for a non-executive director to strengthen the board. Mr Roddick said Body Shop was keen to get someone with relevant experience. "If all we wanted was a non-executive director we could have gone out and chosen a large orang-utan and put him on the board," he said.

He was speaking at the group's interim results meeting, where the group announced a higher-than-expected 11 per cent jump in pre-tax profits to £11.8m ($19.2m) in spite of increased losses in the US.

Turnover for the 26 weeks to August 31 rose by 11 per cent to £117.1m. Retail sales – which represent all sales through Body Shop's 1,436 outlets worldwide, both owned and franchised – rose by 13 per cent to £275.5m.

Losses in the US rose by $1m to $3.4m. Mr Roddick said the recent appointment of Mr Steen Kanter, a retailer with experience of the US market, to head the division was expected to "bring significant benefits to our US retail business".

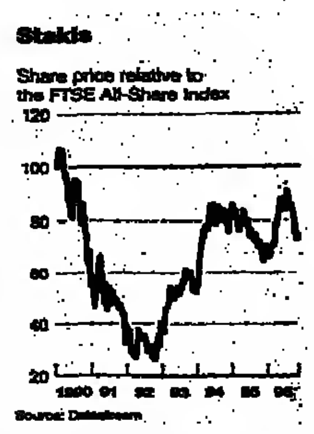
The shares rose 4½p to 200p.

See Lex

LEX COMMENT

Stakis

Having been out-bid for both Copthorne Hotels and Marriott hotels in the UK, it was almost inevitable that Stakis would offer a full price for Metropole. So Lonrho has done well to pursue a trade sale rather than a flotation. Nonetheless, Stakis has not been goaded by previous failures into an unjustifiable deal – a common pitfall. Stakis has to add about £3m to profits to make the deal earnings enhancing in the first year, and most of that should come from removing head office costs and streamlining management. Metropole focused on its highly successful conference business, achieving low occupancy levels but high room rates. So Stakis should boost revenues by bringing in a broader spectrum of customers. The group has committed itself to achieving a 13 per cent post tax return on capital, and it has delivered in the past. Furthermore, the hotels are already in good shape, so Stakis can use its remaining financial muscle to invest in higher-return casinos and health clubs.



The deal may not excite short-term profits, but it increases the group's clout in a hotel market where demand is out-stripping supply. On a ratio of enterprise value to cash flow, Stakis has sunk to the bottom of the range in a UK hotel sector that has got indigestion from a surfeit of flotations. But it is too early for investors to worry about the next downturn in demand. And even for those of a nervous disposition, Stakis' management has earned a better rating against its peers.

Stakis confirms Metropole deal

By Christopher Price

Stakis yesterday confirmed the acquisition of Metropole Hotels from Lonrho for £327m ($533m) increasing the number of rooms in its portfolio by 50 per cent.

The hotel group will fund the deal through a 4-for-7 rights issue at 82p a share to raise £222m, with the remainder coming from increased borrowings. The news, widely anticipated by the market, left the shares 1p higher at 99½p.

The five four-star hotels in the Metropole chain – in London, Brighton, Birmingham and Blackpool – will add 2,266 rooms to Stakis's portfolio of 5,500.

Metropole made operating profits of £23.7m last year on turnover of £75.7m. Average room occupancy was 68 per cent and the average room rate was £55. Stakis has a 78 per cent occupancy rate.

Group gearing will rise from about 38 to 48 per cent on completion of the deal.

Lonrho said the proceeds would cut debt. The disposal would involve a £58m surplus over book value, and a £145m goodwill write-off.

The group said discussions over the sale of the Princess international hotel chain were continuing. Analysts expect a deal to be announced shortly with Prince Al Walid, the Saudi Arabian businessman.

T&N steps up asbestos cover search

By Tim Burt

T&N, the engineering group and former asbestos producer, has stepped up the search for possible insurance cover against its asbestos liabilities.

The company, which as Turner & Newall was one of the UK's largest asbestos companies, has appointed specialist brokers to explore ways of capping its exposure to compensation claims – mainly from the US.

The move coincides with a preliminary hearing in the US Supreme Court today on the "Georgine Settlement", a class action setting fixed payments for sufferers of asbestos-related diseases.

T&N has warned it would have to double this year's asbestos provision to about £100m if the Supreme Court upheld an earlier ruling that the settlement did not constitute a class action.

If the court decided to review the case, the fixed payment system would remain in place until formal hearings begin next year.

But if the case is thrown out, T&N would face a big rise in personal injury claims in the US. A decision is expected early next week.

In the meantime, T&N has formally asked brokers – thought by some analysts to be Sedgwick – to draw up insurance proposals to reduce future asbestos costs.

Sir Colin Hope, chairman, has told institutional investors T&N would not take up cover unless the premiums were relatively modest. Even if it decides against taking such cover, it has vowed to inform shareholders before the year-end about its plans to resolve the uncertainty surrounding asbestos.

In the past 10 years, T&N has paid out more than £350m ($570.5m) to settle claims. Fears of further payments have undermined the shares this year, which have fallen from a peak of 187p and closed yesterday at 128p, up ¼p. Sir Colin, 63, has made it clear he is determined to put the issue behind T&N before standing down as executive chairman.

T&N has also told investors that it was pressing ahead with its stalled takeover of Kolbenschmidt, the German pistons maker.

Discovery stance upsets Premier

By Nikki Tait in Sydney and Jane Martinson in London

Premier Oil, the UK-based oil independent, said yesterday that it was "disappointed" with the reaction of Discovery Petroleum, the Australian oil and gas group, to its increased A$106.5m ($86.4m) offer.

Discovery directors said the revised offer, 14 per cent higher than the original, still undervalued the company.

However, Mr Charles Jamieson, Premier's chief executive, said the 10 cents increase to 80 cents a share was a "very fair offer", and Premier would now "wait and see".

The revised bid falls within the 77-95 cents a share valuation range determined by Grant Samuel, which was called in to provide a fresh valuation of Discovery's assets.

Discovery directors pointed out that the revised bid was "significantly" below the mid-point of that range, but added that they were still reviewing the new terms. Discovery also revealed that Oil Search, another Australian oil group, which bought a 10.1 per cent stake in Discovery after the Premier offer was announced, was reviewing the additional information.

Oil Search has not ruled out the possibility of a rival offer. The company, which operates mainly in Papua New Guinea, has claimed that its purchase was driven by a desire to diversify and not by the Premier bid.

Mr Steve Lowden, a Premier director, said the higher offer was justified by a "greater understanding of Discovery's assets". Mr Lowden declined to say whether the latest Premier bid would be final.

The offer needs a minimum 50.1 per cent acceptance level. The deadline has been pushed back one month to December 11.

Discovery shares rose three cents to 80 cents, while in London Premier shares eased ¼p to 32¾p.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Air London Intl	Yr to July 31	35	(29)	2.16	(1.07)	14.9	(7.6)	14.1※	Dec 16	2.4	16※	4
Ballynatray Φ	8 mths to June 30	0.028	(-)	0.033♠	(-)	0.027L	(-)	-	-	-	-	-
Bertam	6 mths to June 30	1.9	(1.36)	15.4♥	(1.1)	65.7	(3.18)	-#	-	-	-	4大
Body Shop Intl	6 mths to Aug 31	117.1	(105.4)	11.8	(9.1)	3.6	(2.8)	1.5	Jan 9	1.08	-	8.4
BS	8 mths to June 30	3.67	(3.34)	0.896L♠	(0.243)	14.91L	(3.89)	nil	-	1.5	-	4.5
Bula Resources ♣	6 mths to June 30	0.427	(0.155)	0.084L	(0.125L)	0.006L	(0.012L)	-	-	-	-	-
Caspian	6 mths to June 30	1.16	(0.768)	0.08L	(0.541L)	0.07L	(0.56L)	-	-	-	-	-
ClubPartners Φ	6 mths to June 30	1.67	(1.07)	0.697L♠	(0.11♥)	1.65L†	(0.42)	-	-	-	-	-
Forum	6 mths to June 30	7.32	(16.9)	0.003	(2.93L♠)	nil	(11L)	nil	-	nil	-	nil
Gearhouse	Yr to June 30	24.9	(15.8)	2.74	(1.71)	18.1†	(16.2)	3.7	Dec 6	-	3.7	-
Greenhills Φ	8 mths to June 30	0.148	(-)	0.823L	(-)	2.74L	(-)	-	-	-	-	-
Helene	6 mths to June 30	48.4	(66.8)	2.66L♠	(2.01)	1.34L	(0.67)	nil	-	0.43	-	0.43
Ind Energy Φ	3 mths to Sept 30	0.529	(-)	0.263L	(-)	2L	(-)	-	-	-	-	-
Intereurope Tech	Yr to June 30	5.96	(6.51)	0.574	(0.401)	8.43	(5.17)	2.9	Dec 16	5.8	3.9	7.8
Just Φ	6 mths to June 30	0.772	(0.779)	0.218L	(0.101)	0.14L†	(0.11)	-	-	-	-	-
London & Metro	6 mths to June 30	1.52	(1.24)	2.18L	(1.6L)	4.6L†	(3.5L)	-	-	-	-	-
Pilkington	6 mths to Sept 30	1,538	(1,369)	75♠	(104)	3.2†	(7.3)	1.75	Feb 14	1.75	-	5
Premier Health	6 mths to June 30	3.1	(3.06)	0.361L	(1.1♥)	4.7L	(15)	-	-	-	-	-
Rowe Evans	6 mths to June 30	3.45	(3.98)	7.5♥	(2.82)	12.91	(3.55)	-	-	-	-	4
Royal Dutch/Shell	9 mths to Sept 30	80,877	(70,502)	4,255‡‡	(3,607‡‡)	46.5‡	(39.4‡)	-	-	-	-	33.3
Shallbane Φ	6 mths to June 30	3.83	(3.66)	0.126	(0.105)	-	(-)	-	-	-	-	-
Tandem	8 mths to July 28	33.8	(6.1)	3.55L♠	(2.11)	3.8L†	(4.41)	-	-	-	-	nil
Westport §	Yr to Apr 30	14.6	(13.4)	18.3L	(0.041)	15.1L	(0.03)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Cairngorm Bid Secs	36 wks to Sept 30	98.5	(95.5□)	0.028	(-)	1.93	(-)	1.4	Nov 30	-	-	-
Fidelity Special	Yr to Aug 31 ■	136.42	(111.76)	0.081	(0.324)	0.22	(0.88)	-	-	-	-	-
I&S UK Smaller	6 mths to Sept 30	175.18	(152.26♦)	0.32	(0.493)	1.52	(4.37)	1	Jan 6	1	-	2.9
Kleinwort Emerging	6 mths to Sept 30	131.9	(120.4)	0.084	(0.032)	0.3	(0.11)	-	-	-	-	-

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ※Includes 10p special. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit. #4p special interim was paid in July. 大Foreign income dividend. ♣Irish currency. †On increased capital. §USM stock. ‡‡Net income after special credits. ‡Earnings for Royal Dutch Fl 13 (Fl 10.95). □At placing. ■Comparatives for 48 weeks. ♦At March 31.

Wace share price halves on warning

Shares in Wace Group yesterday almost halved in value after the UK printing company issued its second profits warning in six months and announced the sale or closure of several printing plants, writes Tim Burt.

The company saw its shares tumble from 134½p to 69½p, compared with a 12-month high of 284p, after it warned the £13.4m cost of withdrawing from low margin activities would push it into loss. Wace, the world's largest pre-press printing specialist, had been expected to report pre-tax profits of £12m-£14m this year.

Yesterday, however, it said sales growth had failed to materialise and operating profits would be well below expectations. The announcement follows a similar warning in May, when it was hit by destocking, higher raw material costs and price pressure.

In a bid to stem the decline, it announced plans to close its Glasgow plant and its small New York printing site. It will also sell its US print businesses in Grand Rapids and Memphis and seek a buyer for its Dutch printing operation.

Brussels announcement lifts Europe's high-yielders

GOVERNMENT BONDS

By Richard Lapper and Richard Adams in London, and Lisa Bransten in New York

The European Commission's decision formally to back France's controversial deficit reduction measures buoyed high-yielding European bonds, ending the jitters which have dogged these markets in recent weeks.

Italian and Spanish bonds both outperformed on expectations that both countries will have further scope to reduce fiscal deficits in order to meet the Maastricht criteria for monetary union.

At Liffe, Italy's December BTP contract gained 0.78 to settle at 123.48. In the cash market, the yield spread over Germany – as measured by the J.P. Morgan MBUR table – fell from 217 to 214 basis points.

Mr Alex Cooper, manager with Tullett and Tokyo, said that at Liffe there had been fresh – mainly domestic – buying of BTP contracts, although some US investment banks were still buying German bunds and selling BTPs. Nevertheless, the EC announcement "had an effect on all the high yielders and brought hope back into the convergence trades", he said.

Spanish bond markets also had a good day, with the 10-year December bono gaining 0.62 at Meff to settle at 107.28. In the cash market the 10-year spread over bunds narrowed by 7 basis points to 179.

Ms Phyllis Reed, European bond strategist at BZW, said the decision had helped push convergence trades a bit further with yield spreads over Germany likely to narrow.

"There is a good reason to push the spreads in further. In the near term people will start talking about 150 basis points in Spain and 200 basis points in Italy," she said.

French bonds also gained ground with the yield spread of German bunds over OATs widening out by 2 basis points to 4. At Matif the December OAT future gained 0.22 to settle at 126.44. German bonds also made gains, with the 10-year December contract settling at 99.60, up 0.12.

In the UK, the fall-out from Wednesday's unexpected interest rate cut continued to subdue volume and prices in the gilt and money markets. Long gilt futures fell for the second day on Liffe in London. After reaching a high of 109.29, the contract settled at 109.10, down from 109.17. In the cash market, the benchmark 10-year gilt drifted lower in light trading to 99¼, a fall of 3/32 from 99½ the previous day. The yield rose 3 basis points to 7.62 per cent, falling 4 points against bunds.

The price of the 9 per cent 2008 bond fell from 110 to 109. Its yield was up 3 basis points to 7.73.

Trading in sterling interest rate futures was also quiet, with the December 1996 falling 0.3 to 93.71 and January 1997 contracts falling 0.4 to 93.52.

The approach of the end of the month meant that liquidity in the money markets was tight. The Bank of England forecast a large shortage by recent standards of £1.5bn for the day, of which only £315m had been supplied by the midday round.

But by the afternoon round the clearing banks' desire for cash saw the shortage met by £1.214bn supplied in a 5 9/16 November 15 repo.

Mr Philip Shaw, of Union Discount in London, said the money markets were still adjusting to the interest rate change. "In practice it usually takes time for the larger players to assess the market," Mr Shaw said, adding that there was a shortage of bank bills on offer, because institutions needed to keep them on their books at the end of the month.

US Treasury prices recovered Wednesday's losses, but held within a narrow range as economic data provided little new information about the direction of the economy and traders waited for figures on October employment, which are due out today.

At midday, the benchmark 30-year Treasury was stronger at 100 to yield 6.678 per cent, while at the short end the two-year note rose at 100, yielding 5.757 per cent. The December 30-year bond future added to 112.

Personal income rose 0.6 per cent in September, largely in line with economists' expectations, but consumer spending was weak, advancing just 0.1 per cent.

The low rate of consumption did little to comfort the market, as it was hinted at in the weak consumption figure in the third-quarter gross domestic product figure released yesterday.

Instead, the increase in earnings led many economists to speculate that consumer spending might lead to stronger economic growth in the fourth quarter. Ms Cheryl Katz, a senior economist at Merrill Lynch, said: "We believe that consumer spending will pick up in the fourth quarter, but remain subdued."

Figures from the Chicago Association of Purchasing Management, which are widely viewed as an indicator of the national figures due out today, showed mid-western business activity remained flat in October, but a sharp drop in the prices index did provide some comfort to the market.

Emu 'likely to be positive' for member countries' ratings

European Monetary Union is likely to be positive or at worst neutral for the credit ratings of member countries, according to IBCA, the European rating agency, writes Richard Lapper. Sharp falls in borrowing and debt servicing costs, reflecting the fall in bond yields, would be the main benefit, and would offset the loss for some countries of triple A domestic currency credit ratings.

Mr Christopher Huhne of IBCA estimated that gains stemming from lower interest payments would be particularly large for Spain, Portugal and Italy, ranging from 2.5 to 6 per cent of GDP. He said when the credibility of the union had been established, the Emu area would be awarded its own triple AAA rating. Member governments would not be automatically rated AAA because, although they would have the power to tax in euros they would be unable to print money.

NatWest offering warmly received

INTERNATIONAL BONDS

By Samer Iskandar

When NatWest Markets yesterday launched its long-awaited corporate loan securitisation, other banks were surprised and disappointed to be told by the lead manager that it could spare no paper. After all, the 11 classes of notes amounted to $5bn.

But in spite of its size, the deal was almost entirely pre-placed by NatWest, the book runner, with help from six co-lead managers.

The Rose Funding notes represent roughly one-third of corporate loans to clients of National Westminster Bank, repackaged into tradeable securities – bonds backed by an asset. The deal is the first securitisation of its kind in Europe. NatWest Markets handled the placement of 97 per cent of the amount, leaving the equivalent of $180m to be sold by the co-leads.

Traders said the deal was warmly received in the market due to extensive pre-launch marketing, with bids on the dollar-denominated notes reportedly totalling almost three times the $2.1bn on offer.

Bankers in London also pointed out the geographical diversity of demand, with a marked preference by US investors for the most senior – Class A1 – notes, offered to "qualified institutional buyers" under SEC rule 144a, while Asian buyers were said to be more attracted to the subordinated Class A3 paper, which offers a higher yield.

"We were very pleased with how it all went", said a NatWest official. "We could soon be back in the market."

Although all the loans were of a quality equivalent to a double-A rating, some of the Rose securities have lower grades. This was done by attributing different levels of seniority to the notes, thereby allowing investors to choose from a large array of risk/return ratios.

Elsewhere, Greece issued DM1bn of 10-year bonds offering 80 basis points over the equivalent bund. Merrill Lynch, joint lead manager with DG Bank, admitted that the pricing was "ambitious", but said the paper was nonetheless well received, with preferential tax treatment favouring sales in Germany and Austria.

Deutsche Pfandbrief, an active borrower in recent days, also raised DM1bn yesterday. The issue, however, was aimed at Asian investors. Although it follows the traditional German issuance procedure, the issue is listed in Singapore. Bankers said up to half the amount could end up in Asia – roughly equally split between Japan and other markets – against between 20 per cent and 40 per cent for traditional euromark bonds.

The sterling sector saw a £150m add-on to an existing five-year deal by Abbey National. Deutsche Morgan Grenfell, the lead manager, said that although supply of sterling bonds had been abundant in recent weeks, there remained a shortage in the five-year area.

A FFr1.5bn issue by Bayerische Hypothekenbank contrasted with recent difficult launches in the French market, "because it fills a gap", according to Caisse des Dépôts et Consignations, joint lead manager with BZW.

Although Bayer Hypo had already tapped the French market, CDC said this was its longest maturity yet, which meant "dealing with a brand new set of investors" – mainly French insurance companies. Observers pointed out that a distortion in the market, whereby swap rates favoured issuance in 12 years while investor demand was concentrated in 10 years, was partly responsible for recent fiascos. This anomaly, however, yesterday seemed to be fading.

One syndicate official in Paris said: "there are quite a few borrowers lined up, but I am not sure demand will follow."

Bankers also said a new jumbo issue by several German Länder was expected.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
R.O.S.E. Funding(a)‡Cls A1a	750	(a1)	100.00R	Nov 2001	0.10R	-	NatWest Markets
R.O.S.E. Funding‡ Cls A2a	750	(a2)	100.00R	Nov 2001	0.19R	-	NatWest Markets
R.O.S.E. Funding‡ Cls A3a	500	(a3)	100.00R	Nov 2001	0.23R	-	NatWest Markets
Dormitory Authority NY(g)	774	(g)	(g)	(g)	(g)	-	Lehman Brothers
Norwest Corp‡	300	(b)	99.91R	Nov 2001	0.20R	-	Morgan Stanley Intl
GECC	250	6.25	99.77R	Nov 2001	0.25R	8(6¼%-01)	SBC Warburg
D-MARKS							
Hellenic Republic	1bn	5.75	99.70R	Nov 2006	0.50R	80(4/06bund)	DG Bank/Merrill Lynch
DePfa	1bn	4.75	99.67R	Nov 2001	0.25R	5(6¼%-01)	Cmrzbnk/Merrill/Morgan
Deutsche Hypothekenbank	1bn	4.00	99.53	Nov 1999	0.18	-	ABN Am/Drsd/Hiba/UBS
Allgemeine Hypthknbank(s)‡	500	(c)	100.19	Nov 2006	0.20	-	Deutsche Morgan Grenfell
Colombia‡	275	(d)	99.92R	Nov 2001	0.63R	-	Deutsche Morgan Grenfell
STERLING							
R.O.S.E. Funding(a)‡Cls A1b	600	(a4)	100.00R	Nov 2001	0.10R	-	NatWest Markets
R.O.S.E. Funding‡ Cls A2b	600	(a5)	100.00R	Nov 2001	0.19R	-	NatWest Markets
R.O.S.E. Funding‡ Cls A3b	600	(a6)	100.00R	Nov 2001	0.23R	-	NatWest Markets
Abbey Ntnl Treasury Srv.(e)	150	7.13	99.07R	Mar 2001	0.25R	17(8%-00)	Deutsche Morgan Grenfell
FRENCH FRANCS							
Bayer Hypothekenbank	1.5bn	6.13	99.65R	Dec 2006	0.35R	+22(l)	BZW/CDC
Nederlandse Watrschpsbnk	1bn	6.00	98.20R	Nov 2006	0.33R	+15(l)	ABN Amro Hoare Govett
ITALIAN LIRE							
BGB Finance Ireland	250bn	zero	68.73	Nov 1998	1.25	-	Cariplo/IMI Luxembourg
BayerVB	200bn	8.15	99.90R	Dec 2006	0.20R	-	Credito Italiano
Deutsche Finance Nthrlnd(f)	1tn	zero	undisc	Oct 2006	undisc	-	Deutsche Morgan Grenfell
AUSTRALIAN DOLLARS							
SBAB★	110	8.50#	100.00	Nov 2000	undiscl	-	Kokusai(Erp)/Toyo Trust

Final terms, non-cible unless stated. Yield spread (over rlvnt gvt bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 11-tranche issue worth approx $5bn. Short 1st cpns. a1) 3-mth US$Libor+8bp. a2) 3-mth US$Libor+18bp. a3) 3-mth US$Libor+22bp. a4) 3-mth £Libor +8bp. a5) 3-mth £Libor +18bp. a6) 3-mth £Libor +22bp. a6) Fees undisc. Cls A4a $25m, 3mth US$Libor +40bp; ClsA4b £16m, 3mth £Libor +40bp. a7)Fees undisc: Cls A5a $27m, 3mth US$Libor +65bp; Cls A5b £18m, 3mth £Libor+85bp. a8) Cls B $100m. b) 3-mth Libor +5bp. c) 3-mth Libor zero. d) 3-mth Libor +140bp. e) Fungible with STG250m. Plus 249 accrued interest. f) Added to L3trillion. g) Multi-tranche bond. Pricing today. l) Over interpolated yield. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	95.3530	-0.270	7.41	7.42	7.96
Austria		5.875	07/06	98.5400	+0.100	6.07	6.10	9.18
Belgium		7.000	05/06	106.2300	+0.110	8.12	8.12	8.40
Canada *		7.000	12/06	104.0200	-0.080	6.45	6.50	7.36
Denmark		8.000	03/06	107.5800	+0.080	6.67	6.66	7.13
France	BTAN	5.500	10/01	102.3820	+0.090	4.96	4.87	5.33
	OAT	6.500	10/06	103.8900	+0.190	5.97	6.00	6.22
Germany Bund		6.250	04/06	101.7100	+0.100	6.00	6.05	6.20
Ireland		8.000	08/06	107.3500	-0.100	6.94	6.94	7.18
Italy		9.500	02/06	108.7900	+0.210	8.13†	8.13	8.84
Japan	No 140	6.600	06/01	122.4391	+0.030	1.49	1.52	1.77
	No 182	3.000	09/05	103.6056	+0.190	2.52	2.64	2.85
Netherlands		8.500	06/06	118.4600	+0.130	5.83	5.97	6.07
Portugal		9.500	02/06	112.5200	+0.330	7.57	7.59	8.07
Spain		8.800	04/06	106.4400	+0.610	7.79	7.81	8.11
Sweden		6.000	02/05	91.9845	-0.060	7.31	7.20	7.65
UK Gilts		8.000	12/00	103-03	-3/32	7.11	6.97	7.10
		7.500	12/06	99-04	-7/32	7.62	7.62	7.82
		8.000	10/08	109-26	-7/32	7.73	7.73	7.93
US Treasury *		6.500	10/06	100-27	+1/32	6.36	6.58	6.84
		6.750	08/26	100-27	+1/32	6.68	6.87	7.05
ECU (French Govt)		7.000	04/06	104.3100	+0.240	6.37	6.37	6.51

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	5.79
Broker loan rate	7	Two month	-	Three year	5.92
Fed.funds	5¼	Three month	5.16	Five year	6.12
Fed.funds at intervention	-	Six month	5.29	10-year	6.40
		One year	5.43	30-year	6.69

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	126.38	126.44	+0.22	126.62	126.26	96,679	186,817
Mar	126.36	126.44	+0.22	126.52	126.36	2,454	38,517
Jun	125.10	125.20	+0.24	125.22	125.10	628	5,814

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
124	2.52	-	-	0.08	0.20	0.52
125	1.64	-	-	0.19	0.38	0.78
126	0.89	1.15	1.61	0.43	0.70	1.12
127	0.37	0.65	1.09	-	-	-
128	0.13	0.33	0.69	-	-	-

Est. vol. total, Calls 17,970 Puts 14,928. Previous day's open int., Calls 182,776 Puts 147,740

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.44	99.60	+0.12	99.71	99.44	113950	252357
Mar	98.54	98.58	+0.12	98.66	98.54	1375	15601

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9950	0.54	0.34	0.56	0.69	0.44	1.28	1.48	1.51
10000	0.30	0.21	0.40	0.51	0.70	1.63	1.82	1.93
10050	0.15	0.12	0.28	0.38	1.05	2.04	2.20	2.30

Est. vol. total, Calls 12079 Puts 6822. Previous day's open int., Calls 184864 Puts 178988

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	122.90	123.48	+0.78	123.65	122.90	45891	84560
Mar	122.32	122.69	+0.77	122.32	122.32	140	3803

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12300	1.27	1.95	0.78	2.26
12350	0.98	1.71	1.00	2.52
12400	0.74	1.49	1.26	2.80

Est. vol. total, Calls 7080 Puts 1656. Previous day's open int., Calls 192582 Puts 172994

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	106.70	107.31	+0.81	107.58	106.70	78,096	70,917
Mar	-	106.74	+0.82	-	-	86	336

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-19	109-10	-0-07	109-29	109-03	100836	154582
Mar	108-26	108-16	-0-05	108-26	108-26	53	2209

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
109	1-01	0-63	1-21	1-37	0-45	1-31	1-53	2-05
110	0-34	0-39	0-59	1-10	1-14	2-07	2-27	2-42
111	0-15	0-23	0-40	0-54	1-60	2-55	3-08	3-22

Est. vol. total, Calls 10142 Puts 3485. Previous day's open int., Calls 40148 Puts 26838

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	93.80	93.98	+0.08	94.10	93.80	2,511	7,239
Mar	-	93.54	+0.08	-	-	-	26

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	112-15	112-21	+0-02	112-26	112-12	423,639	397,155
Mar	112-00	112-07	+0-03	112-10	112-00	2,567	25,873
Jun	-	111-20	-	-	-	477	5,335

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	125.48			125.48	125.32	2073	n/a
Mar	124.56			124.56	124.48	456	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Oct 31	Day's change %	Wed Oct 30	Accrued interest	xd adj. ytd		Low coupon yield Oct 31	Low Oct 30	Low Yr. ago	Medium coupon yield Oct 31	Medium Oct 30	Medium Yr. ago	High coupon yield Oct 31	High Oct 30	High Yr. ago
1 Up to 5 years (21)	121.39	-0.04	121.45	2.74	8.04	5 yrs	7.22	7.20	7.42	7.27	7.23	7.42	7.32	7.29	7.51
2 5-15 years (19)	149.30	-0.12	149.49	2.85	9.09	15 yrs	7.83	7.81	7.99	7.82	7.80	9.04	7.85	7.83	8.11
3 Over 15 years (8)	166.52	-0.15	166.78	3.79	9.83	20 yrs	7.93	7.91	8.04	7.90	7.88	9.07	7.92	7.91	9.14
4 Irredeemables (6)	191.43	-0.31	192.02	4.88	6.83	Irred.†	8.00	7.97	8.13						
5 All stocks (54)	143.81	-0.10	143.96	3.02	8.92										

Index-linked							Inflation 5% Oct 31	Oct 30	Yr. ago	Inflation 10% Oct 31	Oct 30	Yr. ago
6 Up to 5 years (2)	202.46	-0.15	202.78	0.47	5.28	Up to 5 yrs	3.17	3.13	3.22	2.52	2.47	2.10
7 Over 5 years (10)	193.59	-0.33	194.23	1.43	4.17	Over 5 yrs	3.60	3.57	3.67	3.40	3.37	3.47
8 All stocks (12)	193.48	-0.31	194.08	1.32	4.21							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	Yr ago	High*	Low*
Govt. Secs. (UK)	93.89	93.68	93.80	94.14	94.27	94.14	96.34	91.59
Fixed interest	115.35	115.46	115.31	115.58	115.50	112.42	116.45	110.74

Gilt Edged Activity Indices

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24
Gilt Edged bargains	86.3	85.3	122.5	97.8	101.1
5-day average	98.5	98.0	108.9	96.9	109.5

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Conversion 10pc 1996	9.99	6.19	100⅛	...	103	100⅛
Treas 13¼pc 1997‡‡	13.00	6.02	101½	...	107¼	100½
Exch 10½pc 1997	10.37	5.98	101		107	100
[illegible]						

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 31

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	99⅞	100¼		6.51
[illegible]					

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CURRENCIES AND MONEY

Swiss franc declines on gold rumours

MARKETS REPORT

By Graham Bowley

The Swiss franc fell sharply on the foreign exchanges yesterday amid rumours that the Swiss authorities are considering a suspension of banking secrecy laws to help find Nazi gold hidden in Swiss banks.

The pound ended flat against most currencies after another day of volatile trading over concerns that this week's interest rate increase might presage large Budget tax cuts.

The Italian lira strengthened after a Bank of Italy economic report suggested the economy was slowing but that interest rates were unlikely to be lowered.

The lira was supported by rising expectations that Italy would be more likely to qualify for European monetary union. This followed the European Commission's decision to give formal backing yesterday to France's controversial measures to reduce its budget deficit to qualify for a single currency. This makes it more likely that Italy would be able to meet the budget criteria for Emu, traders said.

The dollar moved in narrow ranges ahead of key employment data due today. Analysts said the dollar was vulnerable to any weaker-than-expected jobs numbers, since this would hit expectations of a US interest rate rise.

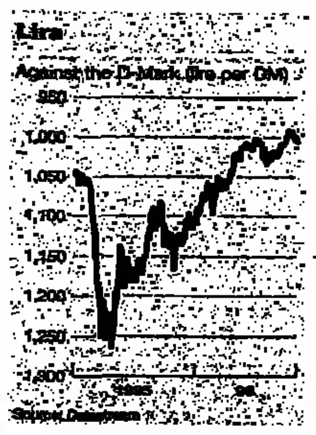
The dollar closed in London against the D-Mark at DM1.513, compared with DM1.507 at the previous close. It finished at Y113.74 against the yen, from Y113.9.

The pound closed almost unchanged against the D-Mark and dollar at DM2.4641 and $1.6284. The sterling trade-weighted exchange rate index closed flat at 90.2.

The French franc moved higher following the European Commission's announcement. This was in spite of a five basis point cut to 3.20 per cent in the Bank of France's intervention base rate. The franc was trading at about FFr3.3756 against the D-Mark at the end of the day in Paris, against FFr3.379 the previous day.

■ Rumours of a suspension of Swiss banking laws prompted a swift decline in the Swiss franc in late trading yesterday.

Mr Tony Norfield, treasury economist at ABN Amro in London, said: "If the secrecy laws are suspended then it opens up the risk that lots of people who traditionally use Swiss bank accounts are less likely to put their money there." This raised the prospect of a slowdown of flows into the franc which would weaken the currency.



He said this would play into the hands of the Swiss central bank since it wanted a weaker franc in order to ease pressure on the Swiss economy.

He said a potential investor flight from the Swiss franc could benefit European high yielding currencies such as the Italian lira.

■ The dollar began the European trading session weak but recovered some ground later in the day.

Mr Joe Prendergast, foreign exchange strategist at Merrill Lynch in London, said there was still an upside bias to the dollar against the yen in spite of its correction of recent sessions.

He said he expected today's employment numbers to show some recovery in activity from last month's weak reading. But he said they were still likely to be subdued "which means little support for the dollar against the yen".

Mr Norfield said a weaker-than-expected figure would probably boost the dollar in the short-run since it would prompt buying of US government bonds. But in the longer run it would weaken the dollar since it would make a US interest rate increase less likely.

■ Mr Kenneth Clarke, UK chancellor, yesterday heralded the pound's strong rally since the summer as a sign of growing international confidence in the UK's long-term economic prospects.

But currency markets yesterday made a somewhat sceptical reappraisal of Wednesday's quarter-point increase in interest rates to 6 per cent. The pound rallied immediately after the move. But it gyrated erratically yesterday as traders attempted to gauge whether the rate increase was a pre-emptive attack on inflation or whether it in fact meant Mr Clarke would now ease fiscal policy.

■ Pound in New York

Oct 31	—Latest—	— Prev. close —
£ spot	1.6295	1.6335
1 mth	1.6285	1.6325
3 mth	1.6255	1.6306
1 yr	1.6124	1.6159

■ OTHER CURRENCIES

Oct 31	£	$
Czech Rp	43.7444 - 43.7884	26.8700 - 26.8800
Hungary	252.731 - 252.935	155.240 - 155.290
Iran	4885.40 - 4894.30	3000.00 - 3000.00
Kuwait	0.4869 - 0.4890	0.2991 - 0.2996
Poland	4.5740 - 4.5802	2.8100 - 2.8120
Russia	8880.74 - 8903.25	5455.00 - 5460.00
U.A.E.	5.9764 - 5.9842	3.6710 - 3.6740

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POUND SPOT FORWARD AGAINST THE POUND

Oct 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.3386	+0.026	286 - 485	17.3675	17.2787	17.2951	3.0	17.2388	2.3	-	-	104.8
Belgium	(BFr)	50.7896	+0.0726	448 - 348	50.9070	50.5610	50.6648	3.0	50.3998	3.1	49.2048	3.1	106.0
Denmark	(DKr)	9.4637	+0.0205	597 - 676	9.4806	9.4287	9.4437	2.5	9.4032	2.6	9.2242	2.5	107.2
Finland	(FM)	7.3762	+0.0162	713 - 871	7.3970	7.3470	-	-	-	-	-	-	84.9
France	(FFr)	8.3182	+0.0087	153 - 211	8.3399	8.2905	8.2992	2.7	8.2603	2.8	8.0816	2.9	108.9
Germany	(DM)	2.4641	+0.0037	627 - 654	2.4719	2.4543	2.458	3.0	2.4452	3.1	2.3883	3.1	108.0
Greece	(Dr)	387.071	+0.636	882 - 260	389.027	383.295	-	-	-	-	-	-	67.7
Ireland	(I£)	1.0003	+0.0082	994 - 011	1.0010	0.9984	1	0.4	0.999	0.5	0.9924	0.8	99.9
Italy	(L)	2469.22	-3.55	740 - 105	2477.39	2460.26	2473.02	-1.8	2480.52	-1.8	2488.02	-0.8	77.1
Luxembourg	(LFr)	50.7896	+0.0726	448 - 348	50.9070	50.5610	50.6648	3.0	50.3998	3.1	49.2048	3.1	106.0
Netherlands	(Fl)	2.7616	+0.001	603 - 628	2.7774	2.7538	2.7544	3.1	2.7304	3.2	2.6747	3.1	106.2
Norway	(NKr)	10.3814	+0.0129	772 - 856	10.4685	10.3582	10.3689	1.4	10.3489	1.3	10.2439	1.3	98.5
Portugal	(Es)	249.006	+0.183	854 - 239	249.813	247.086	249.291	-0.8	249.661	-0.8	-	-	95.6
Spain	(Pta)	207.590	+0.027	489 - 672	208.200	206.959	207.745	-1.0	207.975	-0.8	207.975	-0.2	90.0
Sweden	(SKr)	10.6897	-0.0012	789 - 004	10.7225	10.6513	10.6895	0.1	10.6859	0.1	10.6735	0.2	90.2
Switzerland	(SFr)	2.0497	+0.0102	487 - 507	2.0527	2.0394	2.0421	4.4	2.0271	4.4	1.9604	4.4	109.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	90.2
Ecu	-	1.2844	+0.0006	838 - 850	1.2883	1.2798	1.2826	1.8	1.278	2.0	1.2566	2.2	-
SDR†	-	1.122400	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6282	-0.0042	277 - 286	1.6340	1.6246	-	-	-	-	-	-	-
Brazil	(R$)	1.6790	-0.0044	724 - 736	1.6788	1.6694	-	-	-	-	-	-	-
Canada	(C$)	2.1836	-0.0056	826 - 847	2.1909	2.1775	2.1787	2.8	2.1678	2.9	2.1086	3.4	86.0
Mexico	(New Peso)	13.1240	+0.115	054 - 444	13.1502	13.0172	-	-	-	-	-	-	-
USA	($)	1.6284	-0.004	280 - 288	1.6340	1.6241	1.6274	0.7	1.6255	0.7	1.6144	0.8	97.1
Pacific/Middle East/Africa													
Australia	(A$)	2.0534	-0.0081	522 - 545	2.0631	2.0484	2.0547	-0.8	2.0564	-0.4	2.055	-0.1	84.1
Hong Kong	(HK$)	12.5913	-0.03	874 - 952	12.6338	12.5584	12.584	0.7	12.5701	0.7	12.5058	0.7	-
India	(Rs)	57.6711	-0.2745	940 - 482	58.2880	57.7600	-	-	-	-	-	-	-
Israel	(Shk)	5.3320	-0.0008	240 - 400	5.3410	5.3001	-	-	-	-	-	-	-
Japan	(Y)	185.214	-0.678	087 - 341	186.530	184.180	184.324	5.8	182.484	5.9	174.434	5.8	127.8
Malaysia	(M$)	4.1144	-0.0114	126 - 160	4.1361	4.0985	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3021	-0.0108	004 - 038	2.3151	2.2975	2.3068	-3.5	2.3182	-2.8	2.339	-1.6	111.9
Philippines	(Peso)	42.7944	-0.112	167 - 720	42.8760	42.7182	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.1073	-0.0148	055 - 091	6.1262	6.0915	-	-	-	-	-	-	-
Singapore	(S$)	2.2944	-0.004	932 - 955	2.3017	2.2901	-	-	-	-	-	-	-
South Africa	(R)	7.6421	-0.0961	361 - 480	7.7824	7.6354	-	-	-	-	-	-	-
South Korea	(Won)	1346.77	-8.14	603 - 751	1356.82	1343.82	-	-	-	-	-	-	-
Taiwan	(T$)	44.8462	-0.1088	026 - 897	44.9677	44.7602	-	-	-	-	-	-	-
Thailand	(Bt)	41.5324	-0.0893	140 - 507	41.6960	41.4390	-	-	-	-	-	-	-

† Rates for Oct 30. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 31		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6478	+0.0416	441 - 511	10.6600	10.6280	10.6279	2.2	10.5878	2.4	10.3026	2.4	104.7
Belgium	(BFr)	31.1900	+0.12	700 - 100	31.2100	31.0420	31.13	2.3	31.0020	2.4	30.4625	2.3	105.8
Denmark	(DKr)	5.8116	+0.0266	106 - 126	5.8179	5.8016	5.8027	1.8	5.7843	1.8	5.7026	1.9	106.7
Finland	(FM)	4.5310	+0.0209	270 - 350	4.5380	4.5208	4.5228	2.3	4.5041	2.4	4.4210	2.4	84.5
France	(FFr)	5.1082	+0.0164	077 - 087	5.1127	5.0990	5.0998	2.0	5.0816	2.1	5.0062	2.0	106.8
Germany	(DM)	1.5132	+0.0059	127 - 136	1.5150	1.5100	1.5103	2.3	1.5044	2.3	1.4766	2.2	107.5
Greece	(Dr)	237.700	+0.995	650 - 750	238.050	235.850	238.255	-7.2	241.225	-5.9	252.85	-6.4	67.4
Ireland	(I£)	1.6280	-0.0091	270 - 290	1.6380	1.6265	1.6275	0.3	1.6272	0.2	1.6242	0.2	-
Italy	(L)	1516.35	+1.8	590 - 710	1517.63	1511.40	1519.32	-2.3	1525.35	-2.3	1539	-1.5	76.8
Luxembourg	(LFr)	31.1900	+0.12	700 - 100	31.2100	31.0420	31.13	2.3	31.0025	2.4	30.4625	2.3	105.8
Netherlands	(Fl)	1.6959	+0.0047	955 - 962	1.7015	1.6945	1.6921	2.7	1.6841	2.8	1.6465	2.8	105.5
Norway	(NKr)	6.3752	+0.0075	742 - 762	6.4100	6.3726	6.3715	0.7	6.3659	0.8	6.3402	0.5	98.7
Portugal	(Es)	152.970	+0.47	920 - 020	153.180	152.830	153.175	-1.6	153.47	-1.3	154.245	-0.8	95.9
Spain	(Pta)	127.475	+0.325	450 - 500	127.650	127.000	127.655	-1.7	127.915	-1.4	128.59	-0.9	79.5
Sweden	(SKr)	6.5645	+0.0151	593 - 696	6.5738	6.5535	6.5617	0.5	6.5518	0.8	6.5045	0.8	88.8
Switzerland	(SFr)	1.2587	+0.0093	584 - 590	1.2605	1.2520	1.2549	3.7	1.247	3.7	1.2142	3.5	108.8
UK	(£)	1.6284	-0.004	280 - 288	1.6340	1.6241	1.6274	0.7	1.6255	0.7	1.6144	0.8	99.0
Ecu	-	1.2678	-0.0037	675 - 681	1.2699	1.2662	1.2682	-1.3	1.2723	-1.4	1.2889	-1.7	-
SDR†	-	0.692497	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0001	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0274	-0.0002	273 - 275	1.0276	1.0271	-	-	-	-	-	-	-
Canada	(C$)	1.3411	-0.0002	408 - 413	1.3415	1.3398	1.3387	2.1	1.3337	2.2	1.3062	2.6	86.3
Mexico	(New Peso)	8.0600	+0.09	500 - 700	8.0720	8.0420	8.173	-17.8	8.4448	-16.1	9.305	-15.4	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2610	-0.0016	605 - 614	1.2614	1.2606	1.2625	-1.4	1.2644	-1.1	1.2699	-0.7	95.6
Hong Kong	(HK$)	7.7323	+0.0003	318 - 328	7.7330	7.7310	7.7322	0.0	7.7328	0.0	7.7438	-0.1	-
India	(Rs)	35.6000	-0.082	600 - 000	35.7150	35.5000	35.815	-7.2	36.275	-7.6	-	-	-
Israel	(Shk)	3.2744	+0.0075	703 - 785	3.2768	3.2607	-	-	-	-	-	-	-
Japan	(Y)	113.740	-0.14	600 - 700	114.200	113.270	113.265	5.0	112.26	5.2	108.05	5.0	127.8
Malaysia	(M$)	2.5267	+0.0005	263 - 270	2.5325	2.5222	2.5295	-1.4	2.5349	-1.3	2.5542	-1.2	-
New Zealand	(NZ$)	1.4137	-0.0032	130 - 144	1.4168	1.4130	1.4192	-4.7	1.4295	-2.8	1.455	-2.9	-
Philippines	(Peso)	26.2800	-0.005	400 - 200	26.3200	26.2400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4090	+0.001	085 - 095	1.4105	1.4075	1.4068	1.8	1.4022	1.8	1.381	2.0	-
South Africa	(R)	4.6930	-0.0475	905 - 955	4.7670	4.6900	4.7237	-10.4	4.8087	-9.9	5.1235	-9.2	-
South Korea	(Won)	827.050	-3.6	800 - 300	830.800	826.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.5400	-	200 - 600	27.5700	27.5200	27.5401	0.0	27.5403	0.0	-	-	-
Thailand	(Bt)	25.5050	+0.007	000 - 100	25.5510	25.4800	25.595	-4.2	25.7625	-4.0	26.4	-3.5	-

† SDR rate per $ for Oct 30. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 30: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

October 31	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3¼	3¼	3⅛	3⅛	6.00	2.50	-
week ago	3	3¼	3¼	3⅛	3⅛	6.00	2.50	-
France	3⅝	3⅝	3¾	3⅞	3⅞	3.20	-	4.75
week ago	3⅝	3⅝	3¾	3⅞	3⅞	3.35	-	4.75
Germany	3¼	3¼	3⅛	3⅛	3¼	4.50	2.50	3.00
week ago	3¼	3¼	3¼	3⅛	3¼	4.50	2.50	3.00
Ireland	5⅞	5⅝	5⅝	5⅝	5⅞	-	-	6.25
week ago	5⅞	5⅝	5⅝	5⅝	5⅞	-	-	6.25
Italy	7⅝	7⅝	7⅝	7⅝	7¼	9.00	7.50	8.38
week ago	7⅝	7⅜	7⅜	7⅛	7⅛	9.00	7.50	8.38
Netherlands	2⅞	3	3	3⅛	3¼	-	3.00	3.30
week ago	2¾	3	3⅛	3⅛	3¼	-	3.00	3.30
Switzerland	1⅞	1¾	1⅝	1⅝	1¾	5.00	1.00	-
week ago	1⅞	1¾	1⅝	1⅝	1¾	5.00	1.00	-
US	5⅛	5¼	5⅛	5⅝	5⅝	-	5.00	-
week ago	5⅜	5¼	5⅜	5⅜	5⅝	-	5.00	-
Japan	½	½	½	½	⅝	-	0.50	-
week ago	½	½	½	½	⅝	-	0.50	-
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5½	5⅝	5⅞	-	-	-
week ago	-	5⅜	5½	5⅝	5⅞	-	-	-
US Dollar CDs	-	5.08	5.07	5.13	5.27	-	-	-
week ago	-	5.08	5.10	5.13	5.41	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
week ago	-	4¼	4⅛	4¼	4⅛	-	-	-
SDR Linked Ds	-	3⅜	3⅜	3½	3⅝	-	-	-
week ago	-	3⅜	3⅜	3½	3⅝	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 31	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.46	96.47	+0.03	96.48	96.45	16,097	51,542
Mar	96.40	96.40	+0.02	96.43	96.38	13,084	51,297
Jun	96.33	96.33	+0.01	96.36	96.33	4,558	29,705

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.78	96.79	-	96.80	96.79	17068	216711
Mar	96.76	96.77	+0.01	96.79	96.76	23186	181237
Jun	96.59	96.59	+0.01	96.62	96.57	23690	167210
Sep	96.37	96.38	-	96.40	96.34	27060	153495

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.81	92.86	+0.06	92.87	92.80	14961	71027
Mar	93.13	93.18	+0.07	93.23	93.12	14005	54704
Jun	93.40	93.42	+0.07	93.50	93.39	3215	32884
Sep	93.44	93.47	+0.07	93.51	93.44	2636	22778

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.12	98.16	+0.01	98.18	98.08	4327	30027
Mar	98.11	98.14	+0.01	98.17	98.08	5913	30228
Jun	97.89	97.95	+0.01	97.98	97.89	1432	15684
Sep	97.67	97.72	-	97.78	97.67	358	5265

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	99.45	99.45	-	99.45	99.45	60	0
Mar	99.39	99.39	-0.01	99.39	99.39	50	0
Jun	99.28	99.28	-0.02	99.28	99.26	145	0

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.80	95.82	+0.03	95.83	95.80	1232	7913
Mar	95.84	95.82	+0.02	95.84	95.82	265	5307
Jun	95.79	95.78	+0.01	95.80	95.79	205	3641
Sep	95.68	95.66	-	95.68	95.65	439	2833

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 31		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.63	16.38	4.851	1.969	4861	5.438	20.44	490.5	408.7	21.05	4.036	1.969	4.300	3.205	364.6	2.526
Denmark	(DKr)	53.67	10	8.789	2.604	1.057	2609	2.916	10.97	263.2	219.4	11.30	2.166	1.057	2.308	1.720	195.7	1.357
France	(FFr)	61.06	11.38	10	2.962	1.202	2968	3.321	12.48	299.5	249.6	12.85	2.465	1.202	2.626	1.957	222.6	1.544
Germany	(DM)	20.61	3.841	3.376	1	0.406	1002	1.121	4.213	101.1	84.25	4.338	0.832	0.406	0.886	0.661	75.16	0.521
Ireland	(I£)	50.79	9.464	8.316	2.464	1	2469	2.762	10.38	249.1	207.6	10.69	2.050	1.000	2.184	1.628	185.2	1.284
Italy	(L)	2.057	0.383	0.337	0.100	0.041	100.	0.112	0.420	10.09	8.408	0.433	0.083	0.041	0.088	0.066	7.501	0.052
Netherlands	(Fl)	18.39	3.427	3.012	0.892	0.362	893.9	1	3.758	90.16	75.16	3.870	0.742	0.362	0.791	0.589	67.05	0.465
Norway	(NKr)	48.93	9.118	8.013	2.374	0.963	2379	2.661	10	240.0	200.0	10.30	1.975	0.963	2.104	1.568	178.4	1.237
Portugal	(Es)	20.39	3.799	3.339	0.989	0.401	991.2	1.109	4.167	100.	83.34	4.291	0.823	0.401	0.877	0.654	74.35	0.515
Spain	(Pta)	24.47	4.559	4.007	1.187	0.482	1189	1.330	5.000	120.0	100.	5.149	0.987	0.482	1.052	0.784	89.21	0.616
Sweden	(SKr)	47.51	8.853	7.781	2.305	0.935	2310	2.584	9.710	233.0	194.2	10	1.918	0.935	2.043	1.523	173.2	1.201
Switzerland	(SFr)	24.78	4.617	4.058	1.202	0.488	1204	1.347	5.063	121.5	101.3	5.215	1	0.488	1.065	0.794	90.34	0.626
UK	(£)	50.79	9.464	8.316	2.464	1.000	2469	2.762	10.38	249.1	207.6	10.69	2.050	1	2.184	1.628	185.2	1.284
Canada	(C$)	23.26	4.333	3.809	1.128	0.458	1130	1.265	4.753	114.1	95.05	4.895	0.939	0.458	1	0.745	84.80	0.588
US	($)	31.20	5.813	5.109	1.514	0.614	1517	1.697	6.376	153.0	127.5	6.566	1.259	0.614	1.342	1	113.8	0.789
Japan	(Y)	27.42	5.110	4.491	1.330	0.540	1333	1.491	5.605	134.5	112.1	5.772	1.107	0.540	1.179	0.879	100.	0.693
Ecu		39.56	7.371	6.478	1.916	0.779	1923	2.151	8.084	194.0	161.7	8.326	1.597	0.779	1.701	1.268	144.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6637	0.6622	-0.0017	0.6637	0.6619	25,116	57,641
Mar	0.6679	0.6662	-0.0015	0.6679	0.6658	238	3,743
Jun	-	0.6700	-0.0016	-	0.6700	3	2,530

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8011	0.8003	-0.0003	0.8017	0.7976	16,854	42,536
Mar	0.8073	0.8074	-0.0004	0.8074	0.8074	162	2,707
Jun	-	0.8140	-0.0011	-	0.8140	9	606

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8824	0.8832	+0.0002	0.8882	0.8810	18,203	76,499
Mar	0.8963	0.8943	-	0.8963	0.8943	622	3,122
Jun	0.9075	0.9069	+0.0012	0.9075	0.9069	400	503

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6324	1.6250	-0.0072	1.6328	1.6228	17,314	57,543
Mar	1.6240	1.6230	-0.0068	1.6240	1.6220	374	665
Jun	-	1.6190	-0.0076	-	1.6180	100	152

UK INTEREST RATES

LONDON MONEY RATES

Oct 31	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 3	6 3/16 - 0	6 3/16 - 0	6 5/16 - 6⅛	6 7/16 - 6¼	6 11/16 - 6 9/16
Sterling CDs	-	-	6 1/16 - 0	6⅛ - 6 1/16	6 5/16 - 6¼	6 17/32 - 6 15/32
Treasury Bills	-	-	5 31/32 - 5 29/32	5 15/16 - 5 13/16	-	-
Bank Bills	-	-	5 15/16 - 5⅞	6 - 5 15/16	6 5/16 - 6 3/16	-
Local authority deps.	6⅛ - 6	0 - 5¾	6 1/16 - 0	6⅛ - 6 1/16	6 5/16 - 6 3/16	6 9/16 - 6 7/16
Discount Market deps	6¾ - 5¼	6⅛ - 6	-	-	-	-

UK clearing bank base lending rate 0 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	0	0	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Oct 25, 5.6262pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Oct 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.74	93.71	-0.03	93.75	93.70	25100	96381
Mar	93.56	93.52	-0.04	93.57	93.50	28316	91894
Jun	93.25	93.23	-0.01	93.26	93.10	27116	95891
Sep	92.98	92.99	+0.02	93.02	92.93	20545	55693
Dec	92.70	92.79	+0.03	92.82	92.73	10016	46401

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.23	0.20	0.17	0.02	0.18	0.44
9375	0.05	0.09	0.10	0.09	0.32	0.62
9400	0	0.03	0.05	0.29	0.51	0.82

Est. vol. total, Calls 30850 Puts 9977. Previous day's open int., Calls 142491 Puts 149108

EMS EUROPEAN CURRENCY UNIT RATES

Oct 31	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.781208	+0.001824	-1.39	2.95	9
Finland	5.80661	5.76963	+0.00625	-0.64	2.17	4
Portugal	195.792	194.838	+0.067	-0.49	2.01	3
Spain	162.493	162.342	-0.02	-0.09	1.81	1
Netherlands	2.15214	2.15988	+0.00063	0.36	1.15	-3
Belgium	39.3960	39.6941	+0.0382	0.76	0.76	-6
Germany	1.91007	1.92661	+0.00174	0.87	0.65	-9
Austria	13.4383	13.5583	+0.0123	0.88	0.63	-6
France	6.40608	6.50246	-0.00661	1.50	0.01	-13
Denmark	7.28580	7.39638	-0.00148	1.52	0.00	-10
NON ERM MEMBERS						
Greece	292.867	302.667	+0.272	3.35	-1.77	-
Italy	2106.15	1929.33	-7.1	-8.40	10.82	-
UK	0.786652	0.782167	+0.000921	-0.57	2.10	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.

(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.580	5.25	5.39	5.58	-	0.16	0.42
1.590	-	4.52	-	-	0.30	0.61
1.600	3.35	3.70	4.02	0.07	0.47	0.85
1.610	2.51	2.96	3.33	0.22	0.73	1.16
1.570	0.45	2.35	2.71	0.46	1.07	1.54

Previous day's vol., Calls 5,213 Puts 9,630. Prev. day's open int., Calls 142,320 Puts 137,916

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.46	94.47	+0.01	94.48	94.46	121,184	461,973
Mar	94.42	94.43	+0.01	94.44	94.41	168,936	379,127
Jun	94.30	94.33	+0.02	94.33	94.29	111,707	280,932

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	95.00	94.99	-0.01	95.00	94.99	403	4,067
Mar	94.93	94.93	+0.01	94.93	94.93	178	2,158
Jun	-	94.61	-	-	-	44	1,385

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.05	0.07	0.10	0.14	0.02	0.03	0.08	0.12
9700	0	0.01	0.02	0.04	0.21	0.22	0.25	0.27
9725	0	0	0	0.01	0.46	0.46	0.48	0.49

Est. vol. total, Calls 15888 Puts 3450. Previous day's open int., Calls 451809 Puts 312555

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.09	0.17	0.19	0.17	0.28	0.49
9850	0.02	0.08	0.10	0.38	0.44	0.65

Est. vol. total, Calls 25 Puts 0. Previous day's open int., Calls 4238 Puts 2050

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9250	0.23	0.76	1.03	0.07	0.08	0.11
9275	0.09	0.58	0.83	0.16	0.13	0.16
9300	0.03	0.38	0.65	0.37	0.20	0.23

Est. vol. total, Calls 10010 Puts 3896. Previous day's open int., Calls 117784 Puts 69441

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	5.75	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	5.75
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	0.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	5.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	5.75
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	5.75	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	5.75		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	5.75		
Coutts & Co	6.00	Midland Bank	5.75		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

● Members of London Investment Banking Association

* In administration

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HAYNES PUBLISHING GROUP

PUBLIC LIMITED COMPANY

(Incorporated and registered in England under the Companies Acts 1948 to 1989 with registered number 659701)

Introduction to the Official List by SINGER AND FRIEDLANDER LIMITED

of the whole of the issued ordinary share capital of Haynes Publishing Group Public Limited Company

SHARE CAPITAL

Authorised Number	Authorised Amount		Issued and fully paid Number	Issued and fully paid Amount
8,750,000	£1,750,000	ordinary shares of 20p each	6,645,355	£1,329,071

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COMMODITIES AND AGRICULTURE

Sumitomo copper affair prompts watchdog summit

By Laurie Morse in Chicago

The world's three most powerful commodity futures market watchdogs have organised a summit to discuss special concerns about global commodity market regulation in the wake of the Sumitomo copper scandal.

Officials from 18 countries, including China, have been invited to attend the conference, to be held in London at the end of November. They will examine ways of avoiding manipulation of physical markets for internationally-traded commodities such as copper, oil and sugar.

Many of the countries invited, including several in Europe, are considering the introduction of commodity futures contracts. One regulatory official said the proliferation of new physicals markets made the summit "a unique opportunity for officials from jurisdictions that have fully-developed commodity markets to share their experience with officials who are just beginning to deal with physical commodities".

The UK's Securities and Investments Board, Japan's Ministry of Trade and Industry (Miti) and the Commodity Futures Trading Commission of the US are sponsoring the meeting. While much work has been done on cross-border co-operation by regulators for the fast-growing arena of financial derivatives, it is rare for regulators to confer specifically on commodities market oversight.

Ms Brooksely Born, who heads the CFTC, said that the examination could be overdue. While international commodities contracts have been traded for centuries, there were now greater opportunities for manipulation of the markets.

"Better global communications, and the increased ability of market participants to move quickly from jurisdiction to jurisdiction and to trade simultaneously from around the globe have created greater global opportunities for commodity futures market manipulation," she said.

Issues of contract design and availability and transparency of deliverable supplies are expected to top the agenda for the meeting.

The Sumitomo affair demonstrated the evolution of markets. Mr Yasuhiro Hamanaka, Sumitomo's chief metals trader, ran up huge losses in unauthorised copper trades, costing the trading house an estimated $2.6bn.

Singapore launches rubber reforms

By James Kynge in Kuala Lumpur

The Singapore Commodity Exchange launches changes in its main rubber contract today in an attempt to boost volume in a market which has been in the doldrums for weeks. Sicom hopes the reforms will internationalise trading and maintain its position as south-east Asia's premier exchange.

The main reform is the launch of an "FOB" – free on board – futures contract which will not demand the rigorous testing of rubber required under the current "award" contract.

The new contract will be denominated in US dollars as opposed to Singapore dollars. Because the physical trade is conducted in US dollars, this should eliminate currency risk and make it easier to hedge – reducing risk by taking a position which offsets existing exposure to market rate changes.

Rubber will no longer have to be shipped to approved Singapore warehouses or undergo the mandatory tests of the award system. Singapore warehouses are often more expensive than others in the region and the tests, which involve 20 different inspections, tend to prolong warehousing time.

Singapore is keenly aware that it must reform ahead of possible competition from Indonesia – which some analysts say may start trading rubber futures by the middle of next year.

The TSR20 (FOB) contract will be for the October/December 1997 contract months.

The TSR20 (award) contracts will continue to be traded until the July/September 1997 contract months.

Brazil's coffee industry gains influential voice

By Jonathan Wheatley in São Paulo

Brazil's new coffee policy council will fill a void in policy-making and allow the development of coherent policies for the first time since 1990, industry observers say.

The CDPC, created by presidential decree on Tuesday, gives the industry some influence over policy-making – something it has long demanded – and should help end years of incoherence over market policy.

The government hopes the CDPC will help raise production from about 25m 60kg bags a year to between 30m and 35m bags a year over the next decade.

The council, comprising six government and six private-sector members, is the first policy body set up since 1990 when the Brazilian Coffee Institute was swept away in a wave of restructuring under Mr Fernando Collor, then president.

"What's really important is that the council gives the industry and government a united voice," says Mr Lawrence Eagles, a coffee analyst at GNI Research in Rio de Janeiro. "It will make Brazil stronger and more able to reflect its weight in the world market. Up to now there has been an embarrassing lack of policy and Brazil's delegation to the [Association of Coffee Producing Countries] has been unable to implement international agreements."

The remit of the CDPC is to co-ordinate coffee auctions to balance supply and demand on domestic and export markets; determine policy for warehousing and sale of the 4.3m bags held by the government and 9.2m bags held by a coffee development fund, Funcafé; set Funcafé's budget (the fund controls $847m, including $620m committed to investments in production; co-ordinate links between government, the private sector and international bodies; approve crop plans and mechanisms for crop estimates; and co-ordinate agricultural and market research.

The council will meet every two months under the chairmanship of Mr Francisco Dornelles, the trade and industry minister, who will have a casting vote. Mr Dornelles retains the right to take unilateral policy decisions, although observers say he is unlikely to do so.

Mr Francisco Ourique, a coffee broker who helped develop the council, said it would help the industry meet demand for between 25m and 27m bags during 1996-97. Estimated output for the year is about 1.5m bags short of that target.

Telegraph Colour Library

CDPC should help Brazil meet future production targets

Prices slip on Liffe despite continuing tightness of supplies

Coffee prices eased yesterday after a choppy week of trading, but analysts say supplies remain tight and predict that continued strong buying interest from US and European roasters could push the market higher again over the longer term, Deborah Hargreaves writes.

January coffee futures prices lost $7 a tonne on the London International Financial Futures and Options Exchange to $1,380, with New York futures mixed in light trading.

GNI, the London brokers, said concerns over a possible delay to the Vietnamese coffee harvest because of heavy rains could lend some support to prices.

"The supply situation remains tight and I don't expect it to ease before December," said Ms Judy Ganes, soft commodities analyst at Merrill Lynch in New York.

Nevertheless, African producers, who are holding their annual meeting on November 17, said they remained concerned about low coffee prices in spite of an agreement in place to limit exports.

Meanwhile, Mr Celsius Lodder, head of the International Coffee Organisation, the producers and consumers body, predicted sharp growth in risk management instruments in the market which would have a key influence on prices.

Speaking in Bogota, he said the move among consumers to carry lower stocks would make it more important for exporters, traders and processors to resort to sophisticated financial mechanisms to offset price volatility.

New challenge for US wheat

MARKETS REPORT

By Laurie Morse in Chicago and Deborah Hargreaves in London

US wheat futures prices continued their slide yesterday, as traders anticipated ample new supplies from southern hemisphere harvests and fears about the karnal bunt fungus re-emerged.

Wheat prices for December delivery tumbled 8 cents, to $3.73 a bushel in mid-morning trading at the Chicago Board of Trade – a 40 per cent drop from the contract high and the lowest price the contract has reached in 17 months.

Wheat contracts for delivery later in 1997, closer to the next US wheat harvest, established all-time lows.

"People are concerned about big harvests in Argentina and Australia, and are also worried that the US and [European Union] will resume their wheat subsidy battle," said Mr Jerry Gidel, of Dean Witter Reynolds.

Traders said the market continued to be hit by reports of wheat exports being rejected due to karnal bunt and other funguses.

Maize futures prices also tumbled in Chicago. Traders said the market expected the US Department of Agriculture to boost its US maize production estimate, currently at 9.01bn bushels, in its crop report, due to be published on November 12. December maize was trading at $2.67 at midday, down 3 cents a bushel and its lowest level since August 1995.

Crude oil prices slipped in late London trading following the announcement of a Kurdish ceasefire with Iraq. Traders interpreted this as bearish news for the oil market as it could bring Iraqi oil back to the market sooner.

North Sea Brent crude for December delivery lost 17 cents, dropping to $22.40 a barrel. The market had been much higher at $23.92 earlier in the day. December futures at the New York Mercantile Exchange broke through a key support level of $23.85 a barrel.

The market had been stronger in early trading on the back of a rise in heating oil prices with a cold snap forecast for the north-eastern part of the US, where many households use oil for heating. The price slipped back in later trading to hover around its previous close of 68.86 cents a gallon.

December white sugar futures on Liffe lost almost $3 a tonne to tumble through a key support point at $310 a tonne. Traders said the market was looking extremely weak as prices continued their "bear" run.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1416-7	1443-4
Previous	1395-96	1423-24
High/low		1455/1429
AM Official	1415-6	1442-3
Kerb close		1436-7
Open int.	231,014	
Total daily turnover	66,231	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1262-7	1288-90
Previous	1255-65	1280-90
High/low		1293/1287
AM Official	1260-65	1287-90
Kerb close		1285-90
Open int.	6,387	
Total daily turnover	705	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	754.5-5.5	756-7
Previous	733.5-4.5	740-1
High/low		758/747
AM Official	750-2	756-7
Kerb close		752-3
Open int.	40,323	
Total daily turnover	9,984	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7230-7240	7340-45
Previous	7220-30	7330-35
High/low		7415/7330
AM Official	7230-40	7340-45
Kerb close		7330-35
Open int.	46,138	
Total daily turnover	13,154	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5915-25	5980-90
Previous	5915-25	5980-90
High/low	5950/5944	6010/5980
AM Official	5945-50	6000-05
Kerb close		5985-90
Open int.	15,528	
Total daily turnover	2,700	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1046-7	1066-7
Previous	1023.5-24.5	1046-47
High/low		1070/1057
AM Official	1045-5.5	1066.5-7.0
Kerb close		1066-67
Open int.	77,028	
Total daily turnover	47,305	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2003.5-5.5	1669-70
Previous	1970-72	1940-42
High/low	2008/2005	1984/1937
AM Official	2007.5-8.5	1965-7
Kerb close		1957-8
Open int.	173,609	
Total daily turnover	73,467	

■ LME AM Official £/$ rate: 1.6285
LME Closing £/$ rate: 1.6277

Spot 1.6275 3 mths: 1.6247 6 mths 1.6222 9 mths 1.6186

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	92.50	-1.40	93.90	92.00	698	2,891
Dec	91.30	-1.50	93.60	90.00	10,070	23,291
Jan	90.50	-1.10	92.05	91.70	193	1,673
Feb	88.65	-1.35	91.40	88.50	21	934
Mar	88.95	-1.35	91.10	87.80	3,035	12,045
Apr	88.10	-1.40	-	-	11	542
Total					14,498	58,763

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	379.60-380.00		
Opening	379.50-379.90		
Morning fix	379.30	233.128	476.325
Afternoon fix	379.50	233.223	476.768
Day's High	378.70-379.10		
Day's Low	380.10-380.50		
Previous close	380.00-380.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....3.16 6 months 3.34
2 months ....3.15 12 months 3.48
3 months 3.17

Silver Fix	p/troy oz.	US cts equiv.
Spot	296.10	482.50
3 months	300.30	488.40
6 months	304.45	494.40
1 year	313.55	506.70

Gold Coins	$ price	£ equiv.
Krugerrand	381-384	234-236
Maple Leaf	384.80-387.25	-
New Sovereign	89-92	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	378.1	-2.1	-	-	-	-
Dec	379.1	-2.2	381.9	377.7	19,920	99,522
Feb	381.1	-2.3	383.4	380.5	862	17,550
Apr	383.2	-2.7	385.2	382.9	1,246	11,776
Jun	385.5	-2.3	387.7	385.0	52	11,091
Aug	387.8	-2.3	388.7	387.7	37	4,364
Total					23,365	188,856

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	384.0	-1.4	385.8	383.3	2,509	18,396
Apr	386.6	-1.4	388.0	386.0	853	8,125
Jul	389.6	-1.4	390.0	388.5	11	872
Oct	392.9	-1.4	394.0	394.0	11	136
Total					3,177	28,829

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	116.75	-0.75	117.75	116.50	662	7,584
Mar	117.85	-0.75	-	-	2	451
Jun	118.90	-0.75	-	-	-	116
Total					692	8,151

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	478.8	-1.8	482.0	482.0	17	17
Dec	480.8	-2.0	488.0	476.0	11,294	64,187
Jan	482.8	-2.0	-	-	-	26
Mar	487.6	-2.1	494.0	483.0	712	13,750
May	491.9	-2.1	493.0	483.0	54	8,618
Jul	496.3	-2.1	502.5	493.0	144	5,168
Total					12,300	99,048

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.45	-0.63	24.60	23.20	43,753	94,729
Jan	23.15	-0.74	24.20	22.95	21,294	63,052
Feb	22.72	-0.74	23.75	22.60	7,391	35,722
Mar	22.26	-0.74	23.25	22.20	4,207	22,398
Apr	21.90	-0.69	22.77	21.90	2,357	16,150
May	21.70	-0.49	22.31	21.70	992	11,155
Total					87,312	391,176

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	22.60	-0.67	23.92	22.90	13,934	68,711
Jan	22.51	-0.66	23.43	22.50	9,326	43,508
Feb	21.90	-0.75	22.80	21.90	3,373	24,555
Mar	21.55	-0.54	22.22	21.55	664	12,656
Apr	21.02	-0.52	21.65	21.02	1,761	8,836
May	20.73	-0.37	20.73	20.73	20	4,274
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	65.50	-1.96	69.80	66.25	19,226	8,882
Dec	68.95	-1.91	70.20	68.60	27,113	40,606
Jan	68.90	-1.91	69.90	66.80	10,264	30,325
Feb	65.70	-1.96	68.95	65.80	4,375	15,578
Mar	63.00	-2.06	66.20	63.00	2,399	8,881
Apr	61.50	-0.41	62.50	61.50	562	5,229
Total					65,045	129,408

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	218.00	+1.75	221.00	218.00	8,556	29,289
Dec	214.00	+0.75	216.00	213.25	5,835	24,887
Jan	210.50	-	213.00	210.00	2,154	19,861
Feb	205.25	-0.50	207.25	205.25	451	6,695
Mar	198.50	-0.50	200.50	195.75	587	5,824
Apr	191.75	-0.25	194.00	192.00	124	4,422
Total					21,281	102,386

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.795	-0.069	2.880	2.765	22,036	40,689
Jan	2.770	-0.058	2.840	2.740	7,619	23,017
Feb	2.510	-0.063	2.575	2.495	2,246	13,822
Mar	2.330	-0.040	2.380	2.325	850	9,520
Apr	2.155	-0.020	2.175	2.135	698	5,702
May	2.090	-0.020	2.090	2.055	177	4,666
Total					35,274	140,920

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	67.00	-3.00	70.90	67.00	15,213	8,883
Dec	64.50	-2.43	67.60	64.35	14,462	27,114
Jan	63.00	-2.13	65.90	62.90	4,562	13,013
Feb	62.80	-1.68	65.25	62.80	848	4,647
Mar	63.50	-1.18	65.40	63.50	274	2,337
Apr	66.30	-	66.35	66.25	382	2,516
Total					35,881	58,844

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	95.25	-1.00	96.00	95.50	25	191
Jan	97.15	-0.85	97.95	97.00	61	2,197
Mar	98.40	-0.85	99.00	98.35	281	1,985
May	99.55	-0.90	100.25	99.40	168	1,575
Jul	101.00	-1.25	102.00	101.25	45	286
Nov	96.75	-0.25	98.00	98.00	5	143
Total					590	6,357

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	371.25	-8.75	380.50	370.00	6,339	31,894
Mar	368.50	-8.50	374.50	367.00	2,396	16,059
May	358.50	-4.75	363.00	357.50	455	2,336
Jul	348.50	-4.00	352.50	347.00	815	10,282
Sep	351.50	-3.50	356.00	351.00	8	285
Dec	359.00	-4.00	365.50	364.00	24	175
Total					10,005	61,695

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	266.00	-4.25	270.00	265.50	45,340	138,053
Mar	272.50	-4.25	276.50	272.00	17,265	90,349
May	279.00	-4.50	283.00	278.50	8,636	42,281
Jul	283.50	-4.50	288.50	283.25	10,976	33,400
Sep	279.00	-3.00	281.00	278.50	351	3,528
Dec	278.50	-3.00	280.00	278.75	3,232	27,363
Total					85,182	336,462

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	91.50	-0.50	92.50	91.75	26	329
Jan	93.25	-0.50	93.75	93.50	43	773
Mar	94.75	-0.50	-	-	-	199
May	96.00	-0.50	96.25	96.25	60	66
Sep	91.50	-0.50	-	-	-	1
Total					129	1,422

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	667.75	-21.75	688.00	666.00	31,921	26,836
Jan	669.00	-21.75	690.50	667.00	37,739	65,362
Mar	673.50	-24.00	695.50	672.00	7,477	31,587
May	678.00	-22.50	700.50	677.00	2,995	18,743
Jul	682.50	-20.75	703.00	682.00	3,409	15,133
Aug	679.50	-20.50	696.00	679.00	65	1,881
Total					85,324	168,461

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	22.59	-0.35	22.94	22.58	7,071	49,158
Jan	22.86	-0.36	23.20	22.88	2,795	18,903
Mar	23.24	-0.35	23.58	23.25	1,367	17,575
May	23.59	-0.35	23.90	23.60	1,291	9,583
Jul	23.92	-0.35	24.30	23.94	925	4,451
Aug	23.95	-0.35	24.30	24.05	113	1,344
Total					13,826	103,443

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	219.5	-7.1	228.6	219.1	12,473	38,346
Jan	214.7	-7.7	221.7	215.0	3,686	11,620
Mar	211.0	-7.9	218.4	210.8	3,330	16,313
May	208.6	-7.9	216.2	209.5	1,262	9,588
Jul	209.1	-7.4	216.0	209.0	727	5,653
Aug	208.3	-8.2	214.5	210.0	137	1,340
Total					21,366	88,524

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	32.5	-	-	-	-	-
Mar	68.0	-0.5	-	-	-	-
Apr	70.0	-0.5	69.5	68.0	23	1,319
May	79.0	-0.5	-	-	-	12
Jun	89.0	-0.5	-	-	-	-
Total					23	1,386

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1282	-1	1280	1280	3	714
Nov	1360	-22	1363	1349	49	580
Dec	1310	-22	1316	1298	28	457
Jan	1335	-22	1345	1330	68	1,965
Apr	1305	-18	1310	1305	18	661
Jul	1120	+11	-	-	-	198
Total					224	4,684

	Close	Prev
BFI	1311	1296

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	924	-7	936	924	1,625	27,049
Mar	956	-6	968	956	1,695	42,700
May	974	-6	984	973	2,418	16,117
Jul	989	-6	999	992	706	12,143
Sep	1005	-8	1015	1005	636	5,275
Dec	1017	-6	1026	1017	208	4,469
Total					8,194	131,897

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1353	-11	1366	1350	4,203	21,734
Mar	1392	-5	1401	1389	3,489	24,564
May	1413	-7	1420	1411	179	8,988
Jul	1426	-3	1431	1425	60	6,537
Sep	1441	-2	1450	1440	106	5,789
Dec	1462	-2	1470	1469	46	818
Total					8,203	77,321

■ COCOA (ICCO) (SDR's/tonne)

Oct 30	Price	Prev. day
Daily	1022.60	1011.49

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1463	-19	1468	1460	1,232	5,015
Jan	1385	-2	1390	1375	2,124	15,420
Mar	1334	+2	1340	1320	472	8,377
May	1316	+1	1320	1302	439	3,252
Jul	1319	+4	1320	1312	87	498
Sep	1319	+4	1304	1304	3	133
Total					4,324	32,727

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	117.20	-1.90	119.00	116.35	6,129	11,958
Mar	106.10	-0.20	107.25	105.00	2,006	10,199
May	103.65	-0.10	104.25	102.60	665	3,712
Jul	103.40	+0.40	102.50	102.50	364	1,079
Sep	102.25	+0.05	102.25	102.25	141	619
Dec	101.85	-0.50	-	101.00	63	409
Total					8,388	28,081

■ COFFEE (ICO) (US cents/pound)

Oct 30	Price	Prev. day
Comp. daily	98.08	99.43
15 day average	98.29	99.33

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	309.1	-3.8	312.5	308.0	1,094	7,713
Mar	305.5	-3.6	309.2	304.9	1,513	12,662
May	307.3	-3.4	310.4	306.5	326	4,544
Aug	309.4	-3.6	312.2	308.8	224	1,706
Oct	302.4	-4.4	305.5	303.5	25	1,003
Dec	305.2	-4.6	306.5	305.5	13	284
Total					3,389	28,249

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.30	-0.17	10.46	10.29	6,800	85,357
May	10.44	-0.10	10.54	10.42	1,881	29,467
Jul	10.39	-0.09	10.48	10.38	423	19,306
Oct	10.39	-0.07	10.46	10.38	100	11,184
Mar	10.42	-0.03	10.47	10.42	65	3,533
May	10.42	-0.03	10.46	10.44	103	697
Total					8,699	149,997

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	72.05	-0.80	73.45	72.00	5,601	24,742
Mar	73.54	-0.92	75.30	73.80	2,697	13,768
May	74.95	-0.95	76.20	74.80	635	6,158
Jul	75.45	-0.98	76.74	75.40	527	6,755
Oct	76.13	-0.42	76.45	76.40	17	1,275
Dec	76.39	-0.01	76.50	76.20	34	4,503
Total					9,489	59,863

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	106.60	-1.75	107.90	105.25	250	5,208
Jan	99.00	-1.55	101.00	98.40	535	8,435
Mar	102.50	-1.85	104.30	102.25	286	4,305
May	105.10	-2.00	106.50	105.10	68	1,127
Jul	107.60	-2.20	108.00	108.00	17	546
Sep	109.10	-2.20	-	-	-	250
Total					1,141	18,966

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.875	-0.175	66.925	66.375	7,466	38,381
Feb	63.475	-	63.725	63.200	2,237	18,886
Apr	65.250	+0.25	65.350	64.900	1,213	12,326
Jun	63.050	+0.175	63.275	62.850	483	5,920
Aug	62.525	+0.125	62.800	62.450	126	6,136
Oct	65.000	-	65.250	64.950	87	3,105
Total					11,711	84,430

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	54.400	-0.55	55.150	54.150	6,279	15,016
Feb	74.150	-0.8	75.150	73.950	2,698	8,446
Apr	69.950	-0.725	70.950	69.900	601	2,924
Jun	74.650	-0.6	75.250	74.550	386	3,093
Jul	72.650	-0.475	72.850	72.450	81	774
Aug	69.175	-0.45	69.700	69.150	82	855
Total					8,143	31,589

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	68.300	-2.25	71.000	68.000	1,523	4,818
Mar	68.275	-2.325	71.000	67.850	153	510
May	69.300	-2.925	71.575	69.250	54	350
Jul	69.700	-2.275	71.600	69.600	79	182
Aug	69.000	-2	-	69.000	4	48
Total					1,809	5,908

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1400	25	83	10	41
1425	12	70	70	51
1450	5	57	57	64
■ COPPER (Grade A) LME	**Nov**	**Feb**	**Nov**	**Feb**
1900	82	124	5	88
1950	45	100	18	113
2000	20	79	43	142
■ COFFEE LIFFE	**Nov**	**Jan**	**Nov**	**Jan**
1500	18	21	133	187
1550	12	15	178	231
1600	9	10	224	276
■ COCOA LIFFE	**Dec**	**Mar**	**Dec**	**Mar**
950	5	39	32	33
975	3	28	54	47
1000	1	20	77	64
■ BRENT CRUDE IPE	**Dec**	**Jan**	**Dec**	**Jan**
2300	-	-	50	-
2350	-	-	-	-
2400	-	64	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

		+or-
Dubai	$20.91-0.95x	-0.49
Brent Blend (dated)	$22.62-2.64	-0.535
Brent Blend (Dec)	$23.02-3.04	-0.485
W.T.I.	$23.48-3.50x	-0.73

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$237-239	+2
Gas Oil	$219-221	+1
Heavy Fuel Oil	$117-119	-1
Naphtha	$224-226	
Jet fuel	$248-250	+2
Diesel	$237-239	

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	13.60-3.75	-0.025

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$379.80	-0.40
Silver (per troy oz)♣	485.50c	+2.00
Platinum (per troy oz.)	$381.00	-0.75
Palladium (per troy oz.)	$118.50	+0.75
Copper	96.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.80r	+0.15
Tin (New York)	277.50	+2.00
Cattle (live weight)	97.38p	-0.40*
Sheep (live weight)	122.55p	+3.22*
Pigs (live weight)†	93.95p	-0.80*
Lon. day sugar (raw)	$262.20	-1.80
Lon. day sugar (wte)	$319.90	-2.70
Barley (Eng. feed)	£100.0	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	82.00p	
Rubber (Jan)♥	82.00p	
Rubber (KL RSS No1)	315.0z	+1.5
Coconut Oil (Phil)§	$750.0v	+10.0
Palm Oil (Malay.)§	542.5z	+10.0
Copra (Phil)§	$435.0v	
Soyabeans (US)	191.0z	-12
Cotton Outlook'A' index	75.75	
Wooltops (64s Super)	408p	-12

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Dec v Oct/Nov z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,754 head of pigs sold.

WOOL

Prices at auctions in the main producing countries this week were generally firm, but in Australia and New Zealand there was no clear advance. The Eastern market indicator in Australia closed at 576 cents, just 1 cent higher than a week ago, the western indicator was unchanged at 535 cents; and in New Zealand the main indicator was down 1 cent to 467 cents a kg. Prices rose quite sharply in South Africa, but weakness in the rand has to be taken into account there. Apart from the absence of any really clear trend in prices, wool offered at auction is being taken up well by the trade, with clearances better than for some time. Sterling strength presents some problems to a UK trade which for some time has been better placed than many competitors on the Continent of Europe.

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Oct 31	Oct 30	month ago	year ago
1869.2	1858.3	1919.4	2121.4

■ CRB Futures (Base: 1967 = 100)

Oct 30	Oct 29	month ago	year ago
241.66	241.11	[illegible]	[illegible]

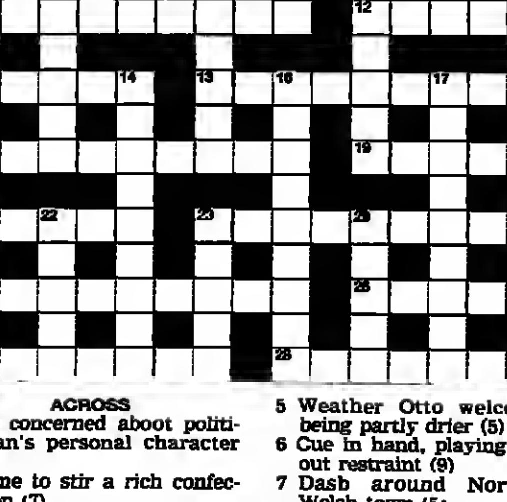
■ GSCI Spot (Base: 1970 = 100)

Oct 30	Oct 29	month ago	year ago
210.62	210.17	205.22	182.71

JOTTER PAD

CROSSWORD

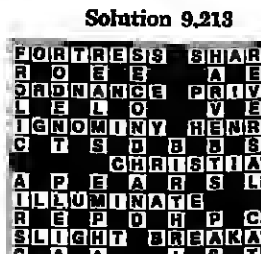
No.9,214 Set by ARMONIE



ACROSS
1 Be concerned about politician's personal character (7)
5 Time to stir a rich confection (7)
9 Famous books Edward acquired (5)
10 Public announcer is one attempting to take possession of private club (4,5)
11 Cleo later cooked a sort of roll (9)
12 Classically elegant room (5)
13 Lie about second-class food (5)
15 A quiet young attendant, about to finish the supplement (9)
18 Obstruction made back run round pole (9)
19 Hapless daughter, rejected, is to lose heart (5)
21 Expose a saint's blunder (5)
23 Succulent fruit found in a recent development (9)
25 A criminal catches viral infection in profusion (9)
26 Dash back to get European business (5)
27 The high point is when the first lady gets to lie down (7)
28 Beat the fellow for touching (7)

DOWN
1 The capacity is fulfilled (7)
2 Refuse carrier made young writer get up (6,3)
3 It is used to wash tender space traveller (5)
4 Admit soldiers to popular harbour (9)
5 Weather Otto welcomed, being partly drier (5)
6 Cue in hand, playing without restraint (9)
7 Dash around Northern Welsh town (5)
8 An artist in every performance finally gives pain to the listener (7)
14 Captivate parent, messing about on the river (9)
16 Having foreknowledge of the Channel Isles in this day and age (9)
17 Hate to fade in no time (9)
18 The army is on time to get the captive (7)
20 Clergyman entering enclosed bar (7)
22 Plunder is common around Leatherhead (5)
23 Ensemble performing without protection? (5)
24 Change a place in West London (5)

Solution 9,213



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320					
Latin America Equity		$47.81	48.63	—	-
North America Equity		$79.25	79.65	—	-
Asian Tigers Equity		$80.62	81.23	—	-
Europe Equity		$72.68	73.02	—	-
Germany Equity		DM132.0	132.66	—	-
Japan Equity		$47.10	47.57	—	-
Europe Bond		$51.03	51.16	—	-
US Bond		$58.96	59.13	—	-
Global Bond		$61.02	61.17	—	-
Germany Bond B		DM102.0	106.66	—	-
Spain Bond		Pta9827	9852	—	-
Eastern Europe Equity F		DM173.0	174.03	—	-
China Equity F		$55.04	55.64	—	-
Switzerland Equity		SFr130.8	161.50	—	-
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227007					
Abtrust Atlas Fund					
Global Cap Portfolio		$0.706		+0.014	-
United States Portfolio		$5.3958		-0.017	-
Conti Europe Portfolio 0		DM0.242		—	-
Japan Portfolio		$0.590		-0.019	-
Pacific Portfolio		$8.501		-0.012	-
Gold Portfolio		$8.236		+0.050	-
UK Growth of Income		£2.079		-0.033	3.61
Dollar Portfolio		$1.854		-0.053	7.03
Sterling Portfolio		£1.063		-0.042	6.30
Aetos Master Fund (u) (x)					
21 avenue de la Liberte, L-1931, Lux 00 352 479 98500					
Australasian NAV		A$10.08		-0.10	-
Austrian Nat NAV		Sch64.11		+0.11	-
Belgo/Lux NAV		BFr763.62		-2.13	-
Dutch DM NAV		D833.60		-0.18	-
French Nat NAV		FFr131.02		-0.10	-
German Nat NAV		DM10.07		+0.03	-
Hongkong Nat NAV		HK$125.56		+1.72	-
Italian Nat NAV		L11494		-85	-
Japanese Nat NAV		Y1299		-5	-
Spanish DM NAV		Pta1245		-0	-
UK Nat NAV		£10.85		-0.01	-
United States Dlr Res.		$11.00		—	-
Prices quoted run 'A' shares					
American Phoenix Investment Portfolios (u)					
13 rue Goethe, L-1637 Luxembourg 00 352 404640211					

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's
Fidelity Funds - Contd.					
Italy		L13000		-108	-
Japan Smlr Cos		Y1030		-7	-
Korea F 0		$6.241		-0.105	-
Latin America		$0.290		+0.004	0.55
Malaysia		$33.70		-0.23	-
Nordic		SKr102.3		+0.8	-
Singapore		$24.30		+0.29	-
Switzerland		SFr14.81		-0.01	-
Thailand		$26.54		-0.40	-
United Kingdom		£1.130		+0.001	-
Bond Funds					
European		Ecu11.12		+0.01	5.74
International		$1.056		+0.003	6.26
US Dollar		$5.634		+0.010	0.79
Sterling		£2.295		--	6.23
Yen		Y1000		—	2.44
Balanced					
European Balanced		DM12.53		+0.02	1.92
Prices as at October 30					
Fleming Group (u)					
6 Route De Treves L-2633 Senningerberg Luxembourg					
00 352 3481 or 0800 960 284					
Fleming Flagship Fund (daily dealing)					
FFF American		$51.40	54.40	+0.41	-
FFF Amer Fixed Ing F		$61.44	64.08	+0.03	-
FFF Asian Smaller Cos F		$10.28	10.86	+0.03	-
FFF China		$12.15	12.84	-0.01	-
FFF Continental Europe F		DM35.9	37.44	+0.14	-
FFF DM Balanced F 5		DM10.79	11.42	+0.00	-
FFF DM Bond 5		DM11.16	11.58	+0.03	0.60
FFF Eastern European F		DM21.86	23.12	+0.25	-
FFF Eastern Oppa		$21.10	22.32	+0.06	-
FFF Emerging Markets F		$9.91	0.53	--	-
FFF European		DM35.60	37.60	-0.14	-
FFF European Smlr Cos F		DM21.85	23.11	+0.03	-
FFF Global Bond F		$17.30	18.30	+0.00	-
FFF India H		$8.95	8.97	-0.09	-
FFF Intl Bond F		$14.54	15.38	+0.02	-
FFF Intl Equity F		DM68.5	72.84	-0.08	-
FFF Japanese		$11.40	10.40	+0.10	-
FFF Japanese Smaller Cos F		$7.61	8.05	+0.07	-
FFF Latin American		$11.12	11.76	-0.03	-
FFF Pacific		$10.42	20.54	-0.08	-
FFF Sterling Bond		£1.078	1.130	-0.001	1.56
FFF UK Enterprise		£5.21	5.51	+0.03	-
FFF US Discovery		$41.31	43.49	-0.01	-
Fleming Flagship Series B (Daily Dealing)					

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

ENGINEERING - Cont.

FOOD PRODUCERS - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

TEXTILES & APPAREL

TOBACCO

TRANSPORT

AIM - Cont.

AMERICANS

OTHER INVESTMENT TRUSTS

OIL EXPLORATION & PRODUCTION

CANADIANS

WATER

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£21½xd	—	£23¼	£21½	1,724	3.3	Φ
Barlow	†	£51¼	+½	£10⅞	£5¼	1,078	2.2	-
Gold Flds Prop R		124½	+½	170	130	12.8	6.3	10.6
MK Props		82	—	86	80	2.40	13.5	-
SASOL	♥	645	—	710	475	3,777	1.6	-
SA Brews		£15⅞	+½	£20⅛	£15⅛	4,879	2.1	Φ
Standard Bank		£23¼	+¾	£32¼	£22¾	2,794	1.5	21.0
Tiger Oats	†	790	-1½	1270	770	1,188	1.9	17.7
Tongaat-Hulett		690½xd	+1½	1247	686¼	854.8	2.5	♦

AIM

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

INVESTMENT COMPANIES

LEISURE & HOTELS

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✻ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement
- ♣ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
d Assumed dividend yield after scrip issue.
e Rights issue pending
g Earnings based on preliminary figures.
h Dividend yield excludes a special payment.
i Indicated dividend yield, p/e ratio based on latest annual earnings.
z Dividend yield includes a special payment
§ Dividend is paid in whole or part as a

F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.

FID (Foreign Income Dividend)
J Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
ex capital distribution.

♣ This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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LONDON STOCK EXCHANGE

Footsie regains its poise in late trading

MARKET REPORT

By Joel Kibazo

The UK market yesterday made a brave attempt to regain its poise following Wednesday's quarter of a percentage point rise in base rates, but there was no hiding the fact that inflation is now back as an issue for investors.

Strategists continued to discuss the implications of the chancellor's move and many believe a give-away budget later this month is now more likely, particularly after a new opinion poll showed the Labour party with a commanding 28 percentage point lead. However, it was concerns about the inflationary pressures in the economy that moved centre stage.

The FTSE 100 index opened some 11.6 points down on the back of those concerns, although Wednesday's fall in the US equity market also played its part in denting sentiment.

Mr Richard Jeffrey, group economist at Charterhouse bank, said: "Prior to yesterday's increase, higher inflation was an area of speculation by individual economists. But by raising base rates the chancellor has put inflation on the market agenda."

However, it was not all doom and gloom and some continued to believe in the underlying strength of the market. One such optimist is Mr Philip Wolstencroft, UK strategist at Merrill Lynch. He believes the market will continue steadily ahead because, "profits growth will be enough to offset p/e (price/earnings ratio) contractions brought by tighter monetary policy".

That feeling of underlying strength, together with an element of position covering by bears, saw the early weakness of the market reduced by late morning. However, volumes were initially low – a clear indication of traders' continued caution and the general unwillingness of some of the leading institutions to enter the fray.

That all changed in the afternoon. The early firmness on Wall Street following the release of sluggish US economic data helped trigger a turnaround in London's fortunes.

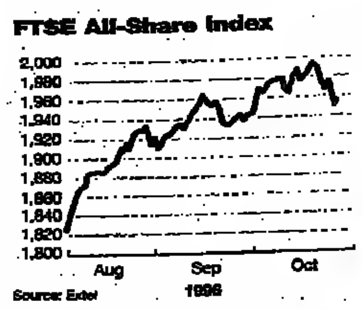
A firm futures contract, which was trading at a premium to fair value, also helped the cash market shake off some of its recent gloom. Footsie moved steadily ahead to close at the best level of the day, although dealers suggested a further advance had been checked by continued nervousness about inflation.

The leading index finished at 3,979.1, a gain of 15.2 on the day, recovering from a low of 3,951.9. The FTSE 250 continued to lag behind and closed 3.3 down at 4,422.5. Long-dated gilts also came off their lows, but were still down ⅜ at the finish.

With activity having picked up in the afternoon, volume at the 6pm count was 659.5m shares, down on Wednesday's 720.8m value. The value of customer business transacted on Wednesday was £1.3bn.

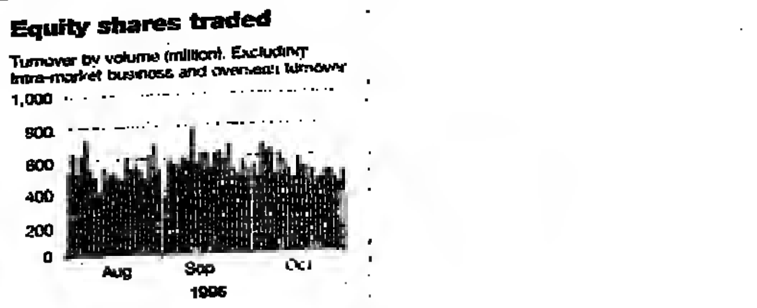
There was renewed interest in the food retailers, which analysts suggest is a defensive sector in the new climate on interest rates. Earlier this week, Charterhouse Tilney suggested investors go overweight in the sector. Asda advanced on favourable AGB marketshare data.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3979.1	+15.2
FTSE 250	4422.5	-3.3
FTSE 350	1982.7	+5.6
FTSE All-Share	1956.90	+4.88
FTSE All-Share yield	3.80	3.79
FT 30	2810.9	+11.8
FTSE Non-Fins p/e	18.08	18.10
FTSE100 Fut Dec	4003.0	+20.0
10 yr Gilt yield	7.62	7.59
Long gilt/equity yld ratio	2.08	2.09

Best performing sectors

1 Electricity	+1.7
2 Retailers: Food	+1.6
3 Utilities	+1.2
4 Extractive Industries	+1.2
5 Water	+1.2

Worst performing sectors

1 Health Care	-1.1
2 Building & Construction	-0.9
3 Transport	-0.9
4 Engineering: Vehicles	-0.8
5 Alcoholic Beverages	-0.7

Broker boost for GenCos

By Peter John, Lisa Wood and Ramraj Gogna

A powerful showing from the UK generators placed them among the best Footsie stocks on the day as one of their brokers took a larger look at their performance and followed it up with some enthusiastic research.

Both National Power and PowerGen shrugged off the general weakness in the electricity sector, with UBS telling clients that worries over the companies were exaggerated.

UBS believes arguments about competition from a second "dash for gas" are unjustified. It adds that the generators are in any case unlikely to suffer a loss of margin as they will increasingly be able to cut costs through buying cheaper coal.

The broker points out that both have underperformed, but prefers PowerGen on the basis that the new management is focusing on shareholder value and the differences between the two companies have narrowed.

UBS electricity analyst Mr Iain Turner added: "On an enterprise value basis, PowerGen is 30 per cent cheaper than National Power and the market does not seem to have appreciated this."

It has put a 730p a share price target on PowerGen and a 528p a share target on National Power. PowerGen shares rose 18 to 510p while National Power lifted 13½ to 407p.

The food retailing sector, a popular choice for defensive investors at a time of interest rate rises, performed well, with Asda, the best stock in the FTSE 100, rising 4½ to 117½p on trade of 21m shares, the heaviest volume in the market.

This was partly because of monthly figures from AGB Research which suggested that, in the month to October, Asda's total sales were growing at the fastest rate of all the main food retailers. Safeway, which rose 10 to 364½p, was also said to be doing well.

In addition, UBS upgraded its forecasts for Asda from £335m to £340m this year and from £375m to £380m next year. UBS also reiterated its buy stance.

Earlier this week, Charterhouse Tilney recommended an "overweight" stance on the sector.

Cookson, the industrial materials group, fell 10½ to 226½p, with ABN Amro Hoare Govett downgrading its profit forecasts for the next two years mainly because of the performance of the group's electronics division.

On Wednesday, NatWest Securities also trimmed its forecasts.

Shell Transport, one of four big companies to report this week, disappointed with its figures – but only at the margin.

The shares fell 13 to 1007½p, continuing a slide which has taken the price down from a recent closing peak of 1056p as the market reacted to figures slightly below the consensus of analysts' forecasts.

However, one specialist said if the effect of exploration charges, redundancy and stoppages were added back, the picture was much as expected.

More significantly, Shell revealed it now has no net debt and the market is poised for news about significant restructuring of the European refining operations as well as a joint venture with Texaco.

It will hold a big presentation in New York ou December 13 and analysts said investors may hang fire until then.

Body Shop hardened 4½ to 200p after results at the top end of the range, while Kingfisher bounced 6½ to 663½p. Thorn softened 5 to to 346½p following its announcement that it was to challenge a Wisconsin ruling on rental purchase transactions.

Pilkington hardened 1½ to 171p, in spite of a fall in first-half profits, as had been expected.

BZW, which left its forecasts unchanged, moved the stock from a "hold" to a "buy" because it said the outlook painted by the group was rosier than it had thought and cost reductions were ahead of plan, allowing a faster recovery from weak margins as the group saw increases in Europe appeared to be sticking.

Guinness fell 5 to 440p after what one analyst described as dull figures for the Far East from Seagram, a big competitor. In addition, marketmakers have been defensive after speculation that LVMH might fund its £1.58bn acquisition of a majority stake in DFS, the American duty free shopping chain, by selling part of its holding in Guinness. However, analysts said this was unlikely as LVMH had a strong balance sheet.

Stakis hardened one penny to 99½p after it confirmed a £222m rights issue to buy the Metropole hotel chain.

Healthcare group Eadie Holdings fell 5½ to 12½p on a profits warning.

Printing specialist Wace fell sharply after warning that 1996 profits would be "substantially lower than current market expectations". The shares were down 65 to 69½p.

Insurer Commercial Union spiked up 9½ to 648½p just before the close of trading on the back of an options-related trade carried out by one US broker.

Pharmaceuticals leader Zeneca fell 24 to 1672p on continued profit-taking as overseas earners remained out of favour in the light of the UK rate increase and the strength of sterling.

Chemicals group Courtaulds rose 16 to 456p with BZW reiterating its positive view on the group.

Airport operator BAA shed 9½ to 497½p in the wake of a report suggesting it could face a big tax bill under a Labour government.

The press report said BAA could have to pay more than £500m if it was included in Labour plans for a windfall levy on privatised utilities. However, some analysts said BAA was not regarded as a prime target for the levy.

Perkins Foods softened 2 to 84p following its announcement of a one-for-six rights issue at 74 pence per share, raising £15.5m to help fund the acquisition of the Dutch Disselkoen Group. One analyst said that the market had not been expecting a rights issue and it had not gone down too well. He said the company would have been better off using debt rather than equity to finance the purchase.

Grampian TV added 27½ to 327½p on very thin trading with speculation continuing about a takeover bid. Scottish TV is the most likely contender, according to analysts. Other potential takeover candidates also hardened, including Border, which rose 5½ to 306½p, and Yorkshire Tyne Tees which increased 25 to 1267½p. Scottish fell 1 to 731½p.

Mondas, a business software company closed at 90½, a 15½p premium to its offer price. Jardinerie Interiors, which was floated at 114p, closed at 125p.

FT 30 INDEX

	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	Yr ago	*High	*Low
FT 30	2810.9	2799.1	2819.3	2839.4	2834.1	2577.7	2885.2	2669.9
Ord. div. yield	4.06	4.07	4.03	4.01	4.01	4.12	4.22	3.76
P/E ratio net	16.99	16.95	17.10	17.22	17.20	15.52	17.46	15.80
P/E ratio nil	16.83	16.79	16.94	17.06	17.04	15.25	17.30	15.71

FT 30 since compilation: high 2885.2 10/04/96, low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2797.4	2792.3	2795.1	2793.1	2793.8	2794.3	2796.8	2799.2	2806.2	2810.9	2786.5

	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	Yr ago
SEAQ bargains	35,647	36,098	38,313	42,436	34,484	26,147
Equity turnover (£m)†	-	1335.6	1203.1	1205.2	1481.1	1542.4
Equity bargains†	-	27,247	28,510	32,561	28,340	30,836
Shares traded (mil)†	-	515.8	497.9	423.2	458.6	593.8

†Excluding intra-market business and overseas turnover.

	Oct 31	Oct 30	Oct 29	Oct 28	Oct 25	*High	*Low
FTSE AIM	1025.00	1022.20	1021.70	1022.20	1021.50	1140.40	965.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	549	Total Highs	62	Total contracts	41,409
Total Falls	758	Total Lows	131	Calls	24,480
Same	1,299			Puts	16,929

Oct 31 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3977.0	4003.0	+20.0	4004.0	3975.0	11864	62158
Mar	3990.0	4018.0	+20.0	3998.0	3989.0	10	756
Jun		4033.0	+20.0			0	1374

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4460.0	4460.0	-	4460.0	4460.0	120	4009

FTSE 100 INDEX OPTION (LIFFE) (*3975) £10 per full index point

	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P
Nov	[illegible]															
Dec	[illegible]															
Jan	[illegible]															
Feb	[illegible]															
Jun†	311½	91			247½	124½							188	[illegible]		

Calls 13,442 Puts 4,393

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P	4175 C	4175 P
Nov	168½	5	123	9½	81	16½	45½	31	20½	[illegible]	[illegible]					
Dec	199½	21½	157	30	119	41½	86	58	58	[illegible]	[illegible]					
Jan	222	34	182	44	144½	56½	111	73	81½	[illegible]	[illegible]					
Mar	250	61			180½	89½			122½	[illegible]	[illegible]					
Jun†	298	99			231½	129½			176½	[illegible]	[illegible]					

Calls 2,964 Puts 9,238 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
[illegible]	F.P.	7.55	4¼	4	†Beechcroft	4		-	-	-	13.2
[illegible]	F.P.	47.1	162½	152½	Charles Taylor	161½		L4.2	0.3	3.3	51.3
[illegible]	F.P.	9.87	162½	157½	†Deep Sea Leisure	157½		-	-	-	-
[illegible]	F.P.	29.4	169½	159½	Deltron Electrn	159½	-1	W2.75	2.9	2.2	15.1
[illegible]	F.P.	35.8	248	148	†Elec Retail Sys	170	+4½	-	-	-	-
[illegible]	F.P.	11.4	316	305	†Eurasia Mining	305		-	-	-	-
[illegible]	F.P.	24.8	92½	90½	†Fitness First	90½		bW-	-	-	28.3
[illegible]	F.P.	101.5	113½	101½	†Geo Inter Med	101½	-2	-	-	-	-
[illegible]	F.P.	-	127	111½	Hartstone 8%	121		-	-	-	-
[illegible]	F.P.	24.8	99½	99	Hlthcare Reform	99½		-	-	-	-
[illegible]	F.P.	1,867	429	358	Imperial Tobacco	358½	-4	W20.0	2.5	7.0	7.2
[illegible]	F.P.	54.8	177	164½	Interoute Telecm	164½	-1	-	-	-	-
[illegible]	F.P.	11.0	132½	124½	†Jardinerie Ints	125		-	-	-	-
[illegible]	F.P.	138.8	310	292½	John D Sports	298½	+1	L4.3	2.5	1.8	28.1
[illegible]	F.P.	33.6	160½	145½	Lavendon	157½		R3.4	3.8	2.7	12.3
[illegible]	F.P.	27.8	79½	73½	†Loftus Road	75		-	-	-	-
[illegible]	F.P.	42.9	131½	128	Lomond Undrwrtng	130		-	-	-	-
[illegible]	F.P.	4.23	12¼	11¼	†Mears Group	11¾	-¼	K0.2	-	2.1	-
[illegible]	F.P.	919.3	£16	£12	Millennium Chem	£12		Q60c	-	3.0	-
[illegible]	F.P.	5.46	90½	82½	†Mondas	90½		-	-	-	-
[illegible]	F.P.	19.6	211½	187½	Oriental Rest	205½	+½	-	-	-	23.2
[illegible]	F.P.	1,009	177	167½	Thistle Hotels	167½	-½	R3.7	2.5	2.8	18.0
[illegible]	F.P.	192.1	302	282½	Ultra Elctn	295½		RW6.5	2.3	2.7	20.0
[illegible]	F.P.	102.3	62	52	†Victory Corp	64		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 30	% chg on day	Oct 29	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (31)	1888.35	+0.3	1878.97	1723.25	1.58	-	2520.73	1722.83
■ Regional Indices								
Africa (13)	2424.77	-0.8	2445.33	2272.74	3.14	35.60	3553.86	2272.74
Australasia (6)	2132.19	-0.2	2136.90	2234.34	2.63	21.24	2927.34	2005.75
North America (12)	1701.32	+0.9	1686.52	1496.98	0.75	64.37	2186.39	1488.94

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Oct 31	Day's chge%	Oct 30	Oct 29	Oct 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3979.1	+0.4	3963.9	3993.5	4025.3	3500.4	3.94	2.03	15.60	153.20	1656.13
FTSE 250	4422.5	+0.1	4425.8	4434.7	4443.1	3873.7	3.52	1.50	23.67	158.61	1803.18
FTSE 250 ex IT	4463.5	-0.1	4466.6	4475.8	4482.8	3891.8	3.62	1.52	22.68	166.98	1824.02
FTSE 350	1982.7	+0.3	1977.1	1989.5	2002.8	1742.7	3.85	1.93	16.84	75.26	1685.97
FTSE 350 Higher Yield	1882.5	+0.5	1874.0	1886.8	1899.8	1742.8	5.17	1.82	13.30	87.00	1349.27
FTSE 350 Lower Yield	2090.1	-0.1	2087.3	2099.4	2112.9	1746.8	2.67	2.12	22.07	54.07	1462.04
FTSE SmallCap	2167.89	-0.2	2171.76	2173.82	2177.97	1939.29	3.14	1.58	25.13	60.85	1802.99
FTSE SmallCap ex IT	2170.58	-0.2	2174.00	2178.09	2178.38	1924.86	3.34	1.65	22.65	64.57	1818.15
FTSE All-Share	1956.90	+0.2	1952.02	1963.50	1975.88	1721.88	3.80	1.91	17.27	72.82	1689.29

■ FTSE Actuaries Industry Sectors

	Oct 31	Day's chge%	Oct 30	Oct 29	Oct 28	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3848.64	-0.1	3850.90	3890.01	3910.05	2869.67	3.61	1.63	21.27	128.05	1680.25
12 Extractive Industries(6)	4241.19	+1.2	4192.02	4194.15	4201.63	4072.94	3.83	2.66	12.29	162.00	1264.08
15 Oil, Integrated(3)	3965.71	-0.3	3976.54	4023.49	4044.96	2853.81	3.77	1.45	22.91	135.18	1777.18
16 Oil Exploration & Prod(15)	2867.42	.....	2866.00	2893.33	2917.89	1874.18	1.85	1.71	39.58	52.04	1737.46
20 GEN INDUSTRIALS(275)	2050.18	-0.1	2051.77	2067.13	2076.32	1928.80	4.17	1.71	17.50	76.13	1141.96
21 Building & Construction(34)	1187.60	-0.9	1198.47	1215.33	1215.94	898.59	3.55	1.47	23.98	38.89	1011.48
22 Building Matls & Merchs(29)	1920.46	-0.5	1930.81	1955.03	1968.48	1671.96	4.02	1.41	22.09	72.84	983.91
23 Chemicals(25)	2441.06	+0.1	2438.17	2450.93	2449.79	2389.36	4.15	1.45	20.77	88.14	1176.66
24 Diversified Industrials(19)	1465.53	+0.6	1457.28	1475.60	1489.51	1751.95	6.92	1.61	11.20	89.36	844.89
25 Electronic & Elect Equip(36)	2338.28	+0.8	2320.72	2329.68	2340.64	2101.15	3.35	1.48	25.23	63.97	1233.05
26 Engineering(71)	2643.76	-0.3	2651.56	2664.37	2677.75	2107.59	3.09	2.46	16.40	72.32	1629.53
27 Engineering, Vehicles(14)	3239.18	-0.8	3265.71	3281.58	3284.43	2536.16	3.33	1.72	21.84	101.71	1703.02
28 Paper, Pckg & Printing(26)	2575.48	-0.5	2587.51	2595.31	2594.60	2690.37	4.05	1.82	16.93	81.65	1093.10
29 Textiles & Apparel(19)	1169.09	-0.1	1170.66	1179.57	1185.68	1469.84	6.10	1.16	17.58	51.71	727.33
30 CONSUMER GOODS(82)	3690.34	+0.1	3688.34	3727.25	3769.98	3420.77	3.90	1.93	16.58	129.39	1386.98
32 Alcoholic Beverages(8)	2736.45	-0.7	2755.39	2776.83	2780.76	2876.00	4.64	1.63	18.56	104.19	1005.08
33 Food Producers(25)	2558.06	-0.2	2554.21	2568.02	2573.03	2430.44	4.11	1.84	16.49	86.69	1174.11
34 Household Goods(15)	2729.99	-0.5	2717.30	2756.21	2770.93	2538.47	3.74	2.25	14.85	100.09	1064.56
36 Health Care(18)	1962.90	-1.1	1984.88	1987.89	2011.65	1939.76	3.03	1.97	20.96	54.40	1210.41
37 Pharmaceuticals(14)	5721.31	+0.3	5703.19	5770.01	5891.99	4697.22	2.98	2.01	20.77	162.93	1973.74
38 Tobacco(2)	3602.33	+0.1	3599.92	3671.28	3678.69	4451.45	7.20	2.13	8.15	262.07	927.66
40 SERVICES(254)	2595.97	+0.2	2591.01	2600.57	2611.45	2110.55	2.86	1.98	22.32	73.42	1370.43
41 Distributors(30)	2918.13	+0.6	2901.81	2899.40	2883.95	2604.38	2.92	2.02	21.15	79.66	1092.70
42 Leisure & Hotels(25)	3179.02	-0.6	3158.83	3173.12	3177.34	2472.16	2.75	2.03	22.41	173.08	1729.80
43 Media(45)	4372.15	-0.2	4380.45	4414.03	4420.72	3345.07	2.09	2.04	29.24	91.89	1600.28
44 Retailers, Food(15)	2034.67	+1.6	2002.64	1984.51	2003.85	1900.01	3.86	2.29	14.11	63.74	1315.72
45 Retailers, General(45)	2132.21	+0.2	2127.91	2143.76	2181.67	1719.07	3.02	2.06	19.96	63.40	1239.42
47 Breweries, Pubs & Rest.(21)	3135.78	+0.3	3125.99	3124.83	3119.60	2635.98	3.31	1.98	19.11	98.29	1520.53
48 Support Services(50)	2601.00	+0.2	2595.83	2599.83	2599.53	1836.35	1.88	2.26	29.37	47.97	1670.33
49 Transport(23)	2531.10	-0.8	2553.39	2565.76	2590.49	2220.17	3.74	1.12	29.92	82.14	1075.40
60 UTILITIES(33)	2330.98	+1.2	2302.93	2302.52	2307.67	2478.34	5.56	1.75	12.81	187.56	1042.06
62 Electricity(12)	2428.15	+1.7	2387.16	2388.92	2393.20	2804.07	8.78	2.21	9.32	429.17	1314.83
64 Gas Distribution(2)	1298.15	+0.5	1291.75	1298.15	1298.27	1554.04	9.23	0.83	18.25	119.71	710.31
66 Telecommunications(8)	2003.25	+1.1	1981.00	1977.87	1989.25	2068.44	4.03	1.53	20.31	50.32	930.47
68 Water(11)	2181.71	+1.2	2136.90	2139.39	2118.53	2032.59	6.44	2.29	8.46	94.85	1222.60
69 NON-FINANCIALS(668)	2048.36	-0.2	2044.28	2057.19	2068.86	1919.81	3.81	1.82	18.08	77.53	1587.41
70 FINANCIALS(103)	3290.89	+0.5	3273.58	3289.48	3319.74	2745.43	4.03	2.36	13.13	124.19	1448.22
71 Banks, Retail(8)	4744.83	-0.7	4712.57	4738.07	4791.87	3825.14	3.83	2.71	12.05	175.98	1586.21
72 Banks, Merchant(6)	3717.99	+0.9	3684.52	3703.42	3721.46	3584.80	2.80	2.81	15.88	95.60	1196.84
73 Insurance(21)	1551.38	-0.6	1541.55	1552.93	1560.70	1389.77	5.42	2.27	10.18	79.70	1201.15
74 Life Assurance(7)	3785.72	-0.1	3763.62	3780.54	3834.00	3310.66	4.13	1.78	16.97	151.01	1801.05
77 Other Financial(20)	2700.76	+0.6	2684.23	2682.15	2679.44	2406.54	3.96	1.79	17.97	96.27	1566.23
79 Property(41)	1648.42	-0.2	1651.72	1654.97	1659.15	1367.86	3.90	1.26	25.39	48.52	1031.78
80 INVESTMENT TRUSTS(127)	3143.22	-0.1	3146.71	3151.37	3168.33	2908.17	2.27	1.12	49.22	60.33	1108.70
89 FTSE All-Share(898)	1956.90	+0.2	1952.02	1963.50	1875.88	1721.96	3.60	1.91	17.27	72.82	1689.29
FTSE Fledgling	1227.15	-0.2	1229.91	1231.20	1233.76	1079.23	2.80	0.65	68.74	30.21	1299.71
FTSE Fledgling ex IT	1241.26	-0.2	1243.66	1244.92	1246.77	1079.78	2.99	0.57	73.41	33.05	1316.48

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3952.6	3958.9	3959.4	3957.4	3957.5	3957.6	3962.4	3966.6	3975.1	3978.1	3951.9
FTSE 250	4422.2	4421.5	4421.0	4419.9	4417.4	4417.1	4416.1	4418.1	4419.9	4422.5	4415.7
FTSE 350	1972.3	1974.8	1974.9	1974.0	1973.9	1973.8	1975.8	1977.4	1980.9	1982.7	1972.1

Time of FTSE 100 Day's high: 4:30 PM Day's low: 8:32 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1172.5	1166.4	1165.4	1164.1	1162.3	1162.2	1155.9	1155.1	1156.4	1157.6	1173.4	-15.8
Pharmaceuticls	5582.9	5596.8	5591.0	5581.5	5584.7	5581.8	5592.0	5610.6	5633.2	5649.0	5631.4	+17.6
Water	2123.1	2124.5	2125.7	2124.5	2125.4	2129.8	2129.0	2137.0	2141.4	2147.1	2121.8	+25.3
Banks, Retail	4770.8	4783.8	4766.6	4769.0	4785.8	4773.8	4788.4	4797.8	4803.4	4805.4	4772.7	+32.7

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. Following Cancellation of the Wickes plc 1.5 net dividend, an adjustment has been made to the Total Return and Xd adj YTD for its associated indices which include FTSE 250 and Retailers, General. DELETIONS: Albrighton, Anagen, Pengkalen (UK), Regent Corp, Shaw (A.) & Co, Alliance Resources, Boustead, Delyn Group (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 31 / Sch)

BELGIUM/LUXEMBOURG (Oct 31 / Frs.)

CZECH REP (Oct 31 / Koruna)

DENMARK (Oct 31 / Kr)

FINLAND (Oct 31 / Mks)

FRANCE (Oct 31 / Frs.)

GERMANY (Oct 31 / Dm.)

GREECE (Oct 31 / Drachma)

ITALY (Oct 31 / Lira)

NETHERLANDS (Oct 31 / Fls.)

NORWAY (Oct 31 / Kroner)

POLAND (Oct 31 / Zloty)

PORTUGAL (Oct 31 / Escudo)

SPAIN (Oct 31 / Pts.)

SWEDEN (Oct 31 / Kronor)

SWITZERLAND (Oct 31 / Frs.)

TURKEY (Oct 31 / TL Lira)

PACIFIC

JAPAN (Oct 31 / Yen)

HONG KONG (Oct 31 / H.K.$)

INDONESIA (Oct 31 / Rupiah)

MALAYSIA (Oct 31 / MYR)

NEW ZEALAND (Oct 31 / NZ $)

SINGAPORE (Oct 31 / S$)

AUSTRALIA (Oct 31 / Aust$)

SOUTH KOREA (Oct 31 / Won)

TAIWAN (Oct 30 / TW $)

THAILAND (Oct 31 / Baht)

MONTREAL (Oct 31 / Can $) 3.30 pm

AFRICA

SOUTH AFRICA (Oct 31 / Rand)

NORTH AMERICA

CANADA

TORONTO (Oct 31 / Can $) 3.30 pm

INDICES

	Oct 31	Oct 30	Oct 29	1996 High		1996 Low	
India							
BSE Sens.(1979)	3163.78	3172.98	3239.94	4069.26	13/6	2826.05	25/1
Indonesia							
Jakarta Comp.(10/8/82)	568.02	566.66	567.75	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2588.11	2648.85	2655.10	2700.04	4/10	2234.81	2/1
Italy							
Banca Comm Ital(1972)	603.85	605.13	608.56	674.10	20/5	572.21	27/3
MIB General(2/1/96)	1024.0	1026.0	1029.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20466.86	20881.67	20958.08	22666.80	26/6	19734.76	13/3
Nikkei 300(1/10/82)	290.44	293.08	294.73	319.70	26/6	284.46	11/3

	Oct 31	Oct 30	Oct 29	1996 High		1996 Low	
Thailand							
Bangkok SET(30/4/75)	910.33	906.11	924.56	1435.04	6/2	905.34	15/10
Turkey							
Istanbul Comp.(Jan 1986)	82006.1	86592.5	(c)	88722.30	23/10	39779.30	2/1
WORLD							
MS Capital Intl(1/1/70)	789.5*	790.6	790.4	801.70	21/10	725.80	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1747.44	1754.97	1758.16	1780.46	21/10	1504.40	11/1
Euro Top-100(26/6/90)	1473.59	1475.68	1480.97	1500.36	18/10	1333.07	11/1
HSBC JC Drg(31/12/93)	(c)	338.21	384.91	382.86	18/10	344.19	2/1
MG Drgs Emrg(7/1/92)	(u)	156.11	155.88	165.91	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Oct	2127.0	2137.3	+13.3	2142.0	2123.5	19,630	11,484
Nov	2131.5	2142.0	+13.5	2145.0	2128.0	19,059	15,344
■ DAX							
Dec	2675.0	2682.5	+8.0	2687.0	2666.0	16,919	-
Mar	2695.5	2701.0	+7.5	2704.0	2687.5	222	-

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ OMX							
Nov	1661.00	1669.00	+7.00	1670.00	1655.00	3,623	27,568
■ SOFFEX							
Nov	3733.0	3726.0	+5.5	3737.0	3714.2	4,864	21,961
Dec	3729.0	3728.5	-14.6	3728.0	3706.0	65	727

US INDICES

■ RATIOS

	Oct 25	Oct 18	Oct 11	Year ago
Dow Jones Ind. Div. Yield	2.15	2.12	2.16	2.46
S & P Ind. Div. yield	1.95	1.92	1.92	2.07
S & P Ind. P/E ratio	22.80	23.15	23.13	17.89

■ NEW YORK ACTIVE STOCKS

■ TRADING ACTIVITY

■ S&P 500

■ Nikkei 225

Open interest figures for previous day.

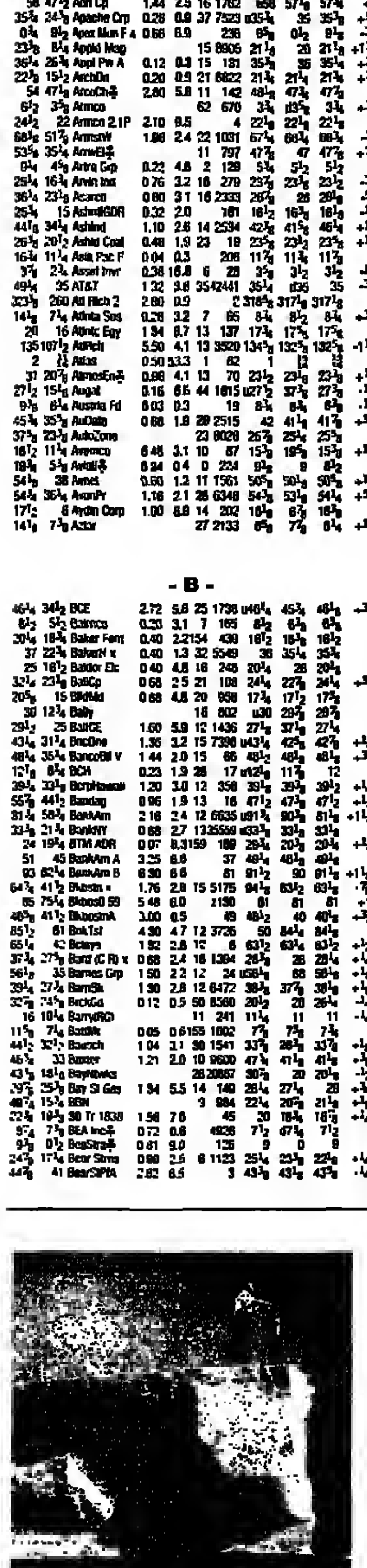
■ TOKYO - MOST ACTIVE STOCKS: Thursday, October 31, 1996

	Stocks Traded	Closing Prices	Change on day
Sansui Electric	7.3m	299	+8
Yuken Kogyo	6.4m	742	-24
Toshiba Corp	5.4m	712	-4
NKK Corp	4.7m	286	+2
Mitsubishi Elect	4.6m	659	-11
Ga-jo-en Kanko	3.7m	109	+26
Godo Shusei	3.1m	655	+45
Mitsubishi Hvy	3.0m	875	-14
Sumitomo Bank	2.9m	2000	+20
Nippon Steel Cp	2.9m	332	-1

3:30 pm October 31

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
28¾	17¾	AAR x	0.48	1.7	26	764	u28¾	27	28⅞	+1⅞
48⅛	33	AMP x	1.00	3.6	16	9979	34	d33	33¾	-¼
97½	69	AMR			16	4923	84⅞	80⅞	84⅛	+3¼
60½	37⅞	ASA	2.00	5.2	35	288	38⅞	38¼	38¼	-⅞
53⅛	38⅛	AbbotL	0.96	1.9	21	8067	50⅞	49¾	50⅜	+⅜
17¼	12¼	AbitibI Pr	0.40	2.9	7	316	14	13¾	14	+⅛
20¾	13½	ABM Ind	0.35	2.0	16	22	17⅛	17¼	17½	+⅛
21	13⅞	Acptmcatn			41	15	20	16⅞	16⅞	+⅛
37¼	37¾	ACE Ltd	0.56	1.8	13	472	55¼	53⅞	55⅛	+1
15⅜	9⅛	ACM Gvt In	0.90	4.8	0	542	u15⅜	10⅛	15⅜	+⅛
7⅞	9⅝	ACM GvOpp	0.67	0.1		22	7⅛	7	7	
9⅝	6⅝	ACM Man	0.90	9.5		291	10⅝	9½	9½	
13⅞	9⅛	Acme Elect	0.32	4.1	129	12	7⅞	7¾	7¾	+⅛
16⅞	13⅞	Acme Mkts			13	40	16¼	16	16	-½
33¾	27¾	Acordia	0.72	4.8	14	791	28	28	28⅛	-1
31⅞	12	Acuson			130	1636	91⅞	20¾	21⅛	
30⅜	17⅞	Adams Expr	0.48	2.4	1	109	20	19⅞	19⅞	
21¼	10¾	AdvMic			16	5457	17¼	17⅜	17½	-¼
11⅛	6½	Advest Grp	0.16	1.7	6	78	8½	9	8¼	+⅛
26⅛	9⅛	Advo Inc	0.10	0.7	198	1445	14⅛	14	14⅛	+⅛
53⅜	47⅛	Aegon	1.45	2.8	1X	109	51¼	51⅛	51¼	-⅜
6¾	3½	Aeroflex			6	147	4½	4¾	4½	+⅛
70⅞	57⅝	Aetna x	0.80	1.2	6	8668	32¾	66⅝	66⅞	-⅜
[illegible]										



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3:30 pm October 31

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
20⅝	12	ScAtl§	0.06	0.4	66	2024	14⅞	14⅜	14⅝	-⅛
24	17	Scotman	0.10	0.4	12	258	n24	23¾	24	
48½	38⅛	Scripps	0.52	1.1	36	367	47⅝	47	47½	+¼
15⅛	12¾	ScuddNAsF	0.02	0.2		97	12⅞	d12¾	12⅞	+⅛
14⅛	11	ScuddNEuF	0.10	1.2		354	14	13⅞	13⅞	+⅛
28¾	14¾	SeaCnA	0.77	4.7	22	65	16¾	16⅝	16⅝	-⅛
10	15	SeaC1.4625	1.46	9.6		0	15¼	15⅛	15¼	
69	36⅛	S'gate			33	9231	67⅞	65½	67¼	+⅜
36⅝	30⅞	Seagrm	0.67	1.8	26	6283	37⅞	36⅞	37⅞	+⅛
26	17⅛	Sequel En	1.20	5.5	52	2429	22⅛	21⅞	21⅞	
39⅝	36	Sealed Air	0.84	1.6	26	75	39¼	38⅞	39	
53¾	38¼	SearsR	0.92	1.9	17	12341	48⅝	46⅞	48½	+1½
22¾	19¼	ScCpSBH§	1.24	5.5	20	981	22½	21⅞	22½	+⅞
13	11⅞	Seligm Sel	0.04	6.8		40	12⅜	12⅛	12⅞	-⅛
23¾	12⅝	Sensormat	0.22	1.3	12	3480	16¾	16⅛	16⅝	+⅛
48½	29½	SequaA	0.60	1.4	48	62	43	41¾	41¾	-1¾
53⅝	39	SequaB	0.50	1.0	60	10	52	52	52	
81¾	16½	ServCp	0.24	0.8	27	3880	28½	28¼	28⅜	+⅛
28⅝	19½	SvMstr	0.68	2.7	10	879	25¼	25	25⅛	
6¼	4⅞	ServMerch			13	2323	5⅞	5¾	5¾	
57½	28½	SGSThm			11	1848	52⅝	52	52½	+¼
15⅞	10⅝	Shaw Ind	0.30-	2.8	30	867	11⅞	11⅞	11⅞	+⅛
14¾	10⅛	Shelby Wil x	0.32	2.4	15	37	13½	13⅜	13⅜	-⅜
101½	78⅝	ShellTr	3.26	3.3	20	1250	99¼	97⅞	98½	-1⅞
53⅞	39	ShwWil§	0.70	1.4	16	673	50⅛	49⅞	50	
13⅞	7¼	Shoneys			0	743	7½	7⅜	7⅜	
35½	18¼	Showboat	0.10	0.5	43	126	10	d18¼	18⅜	-¼
27⅞	22¼	Sierra Pac	1.18	4.3	12	474	u27⅞	27⅝	27¾	
0	3⅞	SignalApp			9	5	3½	3½	3½	
29	20	Signet Bnk	0.84	2.9	17	7779	u29	27¼	28⅞	+1½
30⅞	17⅞	SiliconGr			97	3510	18½	18⅛	18½	+¼
28⅞	24¼	SimonDbd	1.97	7.4		618	28½	26⅛	26½	+⅛
[illegible]										

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
54⅛	39⅞	TempInl§	1.28	2.5	16	186	51¼	51	51⅛	-⅛
21⅞	16⅞	TempEmMk x	0.32	1.8		222	17¾	17⅝	17¾	-⅛
7¾	6⅞	TempGlob x	0.60	8.6		85	7⅛	7	7	-⅛
7½	6¾	TempGlFd	0.98	8.4		737	7¼	7⅛	7⅛	
23¾	18⅛	Tenethim			13	3123	21⅞	20¾	20¾	-⅛
59½	45¾	Texaco	1.80	3.6	8	2188	50	49	49⅞	+¼
41	34⅞	Tepeco Ptsx	3.00	7.6	11	25	39¾	38⅞	39⅝	-⅛
27⅝	11⅛	Teradyne			6	2061	18	13⅞	18	+⅛
9⅞	4⅛	Terex	0.80	0.8	8	122	7⅛	7⅛	7⅛	
15	11	Tenaris§	0.14	1.0	8	745	14⅝	14½	14⅞	-⅛
14⅞	0	Tesoro	0.40	2.7	9	1550	14¾	14½	14¾	+⅛
107	75½	Texaco	3.40	3.3	22	25198	102¾	101½	101½	-1½
60¾	50¼	Texas Ind x	0.40	0.7	7	195	57⅞	56⅞	58¾	+¼
59⅝	40½	Tdnst	0.68	1.4	24	13423	48⅞	47½	47⅞	-1
32½	25⅞	Texas Pac	0.40	1.4	23	13	28¼	28⅛	28⅛	-⅛
43⅞	38½	TxUtil	2.00	4.9	11	2463	40⅞	40⅝	40½	
3⅛	2⅛	Textl Inds	1.10	41.9	7	72	2⅝	2½	2⅝	
90⅞	68⅛	Textron	1.76	2.0	18	445	88⅞	87¾	88¾	+1
5½	2⅛	Thackeray			31	30	2⅞	d2⅞	2⅞	
17	11¼	Thai Cap	1.90	15.7		53	12⅛	11⅞	12⅛	+⅛
27¾	16½	Thai Fund	0.33	1.7		83	19⅛	19	19	-¼
44⅞	30½	ThermoElec	0.12	0.3	29	2181	35⅞	36	36½	+½
47⅞	32⅞	Thiokl	0.68	1.6	12	1247	42¼	41¼	41⅝	-¼
42⅝	33¼	ThBett	2.24	5.3	18	1854	42⅞	42¼	42⅞	
23⅞	18¾	Thomas Ind	0.40	2.1	12	146	19⅛	19	19	
25½	21½	360Com			71	990	28	22⅝	23	+¼

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1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
50	29⅞	Tidwtr	0.60	1.4	28	5532	44¼	43¼	44⅛	+⅞
42¼	24¾	Tiffany	0.28	0.8	28	910	37¼	36⅝	36⅞	+⅛
34¼	28	TIG Hldgs x	0.20	0.7	24	1291	29¼	28⅝	28	+⅛
45¼	29¾	TmMirr	0.36	1.0		9388	37¼	36¾	37⅛	+¼
[illegible]										

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
3⅞	3	Zapata	0.14	3.9	10	33	3⅝	3⅝	3⅝	
25¾	5⅞	ZenithE			0	2402	13⅞	12⅝	13	+⅛
28⅞	21⅛	Zenith Nat x	1.00	3.7	35	67	27⅛	26¾	27⅛	+⅜
7¼	6½	Zweig Inc x	0.72	10.3		108	7⅛	7	7	
22⅞	18⅛	Zero	0.12	0.6	15	183	19	18	18¾	-⅛
28	18½	Zurn Ind	0.40	1.6	20	218	25⅛	24¾	25	
11⅞	10½	Zweig Fund	1.08	9.8		475	11	10⅞	11	
9	8¼	Zweig Totl	0.84	10.0		418	8½	8⅜	8⅜	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ss-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.

x Dealings suspended.

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AMEX PRICES

3:15 pm October 31

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
Conf FdA	0.01		95	4 13/16	4⅝	4⅝	-3/16
Cominco	0.30	16	22	23¼	23 1/16	23¼	
CompTch		107	45	10⅞	16⅝	16¾	-⅛
Computrac		93	33	1 13/32	1⅞	1⅞	-1/16

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
HanDir		1	2089	⅞	d13/16	¾	-1/16
Hasbro x	0.40	10	671	39⅛	38⅝	38⅞	+⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							
NatPatDev		4	35	7⅞	7¾	7¾	-⅛
NYTimA	0.68	53	2325	36¾	35⅞	35	-1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		5	72	9⅝	9 7/16	9 7/16	-⅛
Pegasus 0	0.10	100	473	10¼	10	10	-¼
PenRI	0.80	1	57	8¾	0	8¾	+⅛
[illegible]							
WRIT	1.12	17	172	12⅞	12½	12⅝	+⅛
Xytronix		2	167	1¼	d1 1/16	1 3/16	-3/16

NASDAQ NATIONAL MARKET

3:30 pm October 31

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

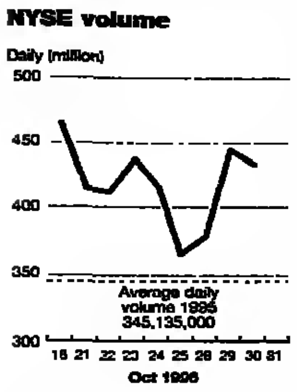
- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

Dow flat as tech stocks move higher

AMERICAS

Most US share indices were flat in mid-session trading, although the technology sector continued to show strength on the heels of the declines seen in the early part of this month, *writes Lisa Bransten in New York.*

At 1 pm, Dow Jones Industrial Average was 1.12 higher



at 5,994.35, the Standard & Poor's 500 rose 0.40 at 701.30, and the American Stock Exchange composite added 1.62 at 566.91. Volume on the NYSE came to 267m shares.

Bonds provided support for shares, firming in morning trading ahead of today's figures on October employment business activity.

Technology shares were one area of relative strength. The technology-rich Nasdaq composite advanced 5.78 at 1,212.01 and the Pacific Stock Exchange technology index was 0.6 per cent stronger.

All of the four largest companies on the Nasdaq posted gains, although there were losses among some of the more volatile Internet-related companies. Netscape Communications, which makes Internet software, lost $2¼, or 5 per cent, at $44. US Robotics, a computer modem manufacturer, shed $2⅞, or 4 per cent, at $63⅞ and C/net, an Internet content company, fell by $1⅝, or 8 per cent, to $15⅛.

Elsewhere, The Gap rose $1¼, or 5 per cent, to $28⅜ after announcing that its board of directors had approved a buy-back of up to 30m shares over the next three years.

Pharmacia & Upjohn fell $2⅛, or 6 per cent, to $35⅛ after it reported third-quarter earnings were even with the period a year ago, and warned 1997 profits would be about 10 cents a share below expectations.

Meanwhile, Centocor, the US biotechnology company, added $2, or 7 per cent, at $28⅞ after reporting a loss of 2 cents a share, a cent less than analysts had expected. Shares in the company had fallen nearly $10 since the start of the month as investors anticipated poor results from the company.

TORONTO was firm at mid-session with the TSE-300 composite index 5.17 higher by noon at 5,595.98 in volume of 52.7m shares.

Bre-X Minerals fell for the third straight day, down 45 cents to C$21.95 as Indonesia's director general of mining was reported as saying that his government was still withholding contracts of work related to the Busang gold find.

Molson picked up 5 cents to C$20.15. Its 40 per cent owned Molson Breweries reached an interim agreement with Coors Brewing over the licensing of Coors products in Canada.

Accolade, then Pharmacia takes a beating

EUROPE

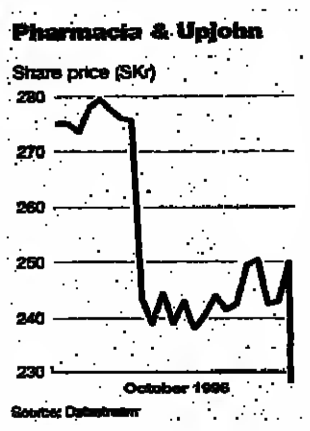
It was a quiet day for most bourses, but individual companies were rewarded for performance or punished, in some cases severely, for disappointing the pundits. In one case, that of Pharmacia & Upjohn, a morning accolade was followed by an afternoon beating.

STOCKHOLM, originally, said that Pharmacia, the Swedish/US drugs group, had reassured the market, posting earnings in line with expectations after a profit warning which produced a severe drop in the share price about three weeks ago.

There was a parallel story linking the group's doxorubicin bladder cancer drug with a possible BSE treatment and the shares hit SKr251, up SKr6 at best.

However, an analysts' conference call seemed to change the mood. Mr John Reeve of Paribas said that, owing to a smaller contribution from currency earnings this year, he had trimmed his earnings forecast for the group from US$2.20 a share to $1.90. The shares ended SKr13.50 lower at SKr229.50.

One beneficiary of all this was Astra, the other big Swedish drugs group, whose A shares rose SKr5 to SKr302, most of this in the



last 10 minutes of trade. With Volvo B reflecting a better feeling about carmakers and SKr2.50 higher at SKr186.50, the Affärsvärlden General index rose 8.6 to 2,139.3.

PARIS put up the best senior bourse showing after French bonds responded to a combination of a record September unemployment rate of 12.6 per cent, a 5 basis point intervention rate cut and European Union acceptance of the French government's plan to use a special France Télécom dividend towards reducing its 1997 public deficit.

The CAC-40 index rose 15.75 to 2,140.51 in turnover of FFr7.25bn. The big index winner was Lagardère, up FFr6 to FFr161.50 for a two-day gain of 7 per cent as worries over its Thomson acquisition subsided. Among the losers, Euro Disney shed 50 centimes, or 4.7 per cent, to FFr10.05 ahead of its results on November 14.

Elsewhere, LVMH rose another FFr28 to FFr1,171 following Wednesday's bid for a majority in DFS of the US and Roussel-Uclaf closed FFr25 higher at FFr1,353 on reports that Hoechst, its German parent, might buy out the minority at FFr1,600 a share.

FRANKFURT improved a little in the afternoon, encouraged by gentle recoveries in the dollar, bunds and the Dow. The Dax index, after an intraday low of 2,665.96, closed 6.68 higher at an Ibis-indicated 2,671.40.

The automotive sector was mixed, with the truckmaker and engineer MAN down another DM5 to DM371 on the problems at its end of the industry.

However, Volkswagen, named by Merrill Lynch as its Global Focus One stock, rose DM5.80 to DM603.80 after Wednesday's DM4.50 gain.

A former favourite was not so fortunate. SAP, the computer software major which slumped following a profit warning last week, dropped through tha DM200 level, the preference shares shedding DM8.50 at DM198.40, down more than 30 per cent from its 1996 peak in less than a fortnight.

ZURICH featured a turbulent ride by Swissair. The shares jumped to an early high of SFr1,008 as Sabena said that it had reached a provisional pay and conditions agreement with its trades unions, but pulled back to SFr980 as the Belgian airline's pilots staged a short-lived strike in protest.

By the close, Swissair was SFr1 weaker at SFr985 as the market absorbed comments by Sabena's chief executive that the Swiss flag carrier might write off its 49.5 per cent stake in the Belgian airline. Swissair said that no decision would be made before the end of this year.

The broad markat made little progress and the SMI index closed just 2.2 higher at 3,725.3.

Sulzer, the technology company, closed SFr12 higher at SFr670 as investors took the planned spin-off of its Elma Electronic subsidiary as a sign that the company was willing to restructure its operations.

Adecco, an outperformer since last week's strong profits from Manpower in the US, gave up SFr11 to SFr355.

Among second-liners, Stratec put on SFr65 to SFr1,645. UBS, which initiated coverage of the stock with a positive recommendation, said that it was one of a small group of medical technology companies distinguished by powerful sales and profit growth.

MILAN was lifted at the close by strength in the lira and bonds. The Comit index eased 1.28 to 603.85, but the real-time Mibtel index finisbed 38 higher at 9,626.

Tim, the cellular telephone company, rose L90 to L3,128, encouraged by nine-month results and news that it was to buy a 49 per cent stake in Stet Mobile Holding, which provided a potential foothold in France.

Stet slipped L43 to L5,259 following reports that its managing director, Mr Ernesto Pascale, was under investigation in a corruption inquiry.

Eni, the energy company, accounted for almost 25 per ceot market's trading volume, edging down L5 to L7,256.

AMSTERDAM seesawed near the close, ending with the AEX index just 0.07 lower at 577.02. Royal Dutch was a weakening influence, the shares falling Fl 5.80 to Fl 280.20 after third-quarter results which were seen as disappointing.

There were no apparent surprises from the paper, office supplies and printing equipment group KNP BT, but a third-quarter profits decline still left the shares down 60 cents at Fl 37.40.

ISTANBUL fell 2 per cent on profit-taking in state-owned companies and the energy sector, and the IMKB-100 index finished 1,686 weaker at 82,006 after reaching an all-time intraday high of 85,753 during the morning.

Written and edited by William Cochrane and Michael Morgan

FTSE Actuaries Share Indices

Oct 31							THE EUROPEAN SERIES	
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1750.40	1748.45	1747.29	1748.02	1747.30	1748.57	1747.80	1747.44
FTSE Eurotrack 200	1805.59	1802.47	1803.83	1804.32	1804.45	1805.82	1806.17	1806.77

	Oct 30	Oct 29	Oct 28	Oct 25	Oct 24
FTSE Eurotrack 100	1754.97	1758.14	1775.01	1766.58	1772.46
FTSE Eurotrack 200	1811.05	1812.44	1832.23	1821.67	1820.24

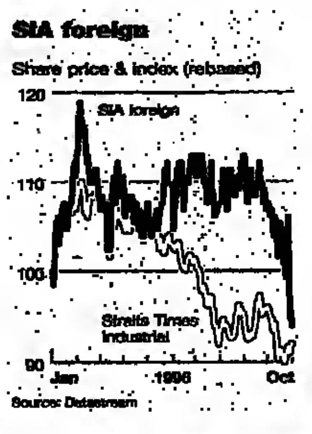
Base value 1000 (26/10/90); High/day: 100 - 1750.87; 200 - 1807.57 Low/day: 100 - 1746.61 200 - 1801.83. 1 Partial.

Nikkei takes its losses into third straight day

ASIA PACIFIC

A bout of index selling just before the close extended TOKYO's losing streak to a third day with the Nikkei average breaking down through the 20,500 level, *writes Owen Robinson.*

The 225 index fell 214.81 to 20,486.86 after moving between 20,449.99 and 20,738.67. The broader Topix index of all first-section stocks declined 12.33 to 1,550.55 and the capital-weighted Nikkei 300 lost 2.64 to 290.44.



Volume rose 252m shares to an estimated 280m. Declines led advances by 748 to 308 with 171 unchanged and, in London, the ISE/Nikkei 50 index rose 2.87 to 1,410.81.

Traders noted continued selling of blue chips by foreign investors, particularly high-tech issues, on concerns that the recent strength of the dollar against the yen would hurt their yen-denominated assets.

The forthcoming long weekend in Japan, where markets will be closed next Monday, also dampened investor activity. However, analysts argued that the main factor in Thursday's drop in stocks, a late-afternoon surge in futures-led selling, did not reflect sentiment. Investors, assured of continuing low interest rates, were continuing to redirect their funds toward the booming bond market.

The slow trading, the professionals added, was due mainly to uncertainty over the domestic political situation and the US presidential election next week. The LDP, which emerged as the dominant party from the October 20 general election, is trying to cobble together a coalition before an expected parliamentary session next week to confirm the prime minister.

Most industry sectors lost ground on the broad range of index-linked selling.

Among technology stocks, TDK lost Y70 to Y6,680, Mitsubishi Electric fell Y11 to Y659 after a 1996 intraday low of Y655, Oki Electric fell Y8 to Y634 and Fanuc, which lost Y150 to Y3,650, also marked new lows for the year at Y633 and Y3,620 respectively.

Japan Airlines and All Nippon Airways both ended at their 1996 lows. JAL, which had just announced poor first-half earnings results, fell Y30 to Y650, while ANA declined Y12 to Y949. Selling also hit carmakers, Toyota falling Y40 to Y2,690 and Suzuki closing at its low for the year, down Y30 at Y1,160.

In Osaka, the OSE average dropped 124.59 to 21,236.65 in volume of 23.97m shares.

MANILA rose 1.3 per cent, lifted by bargain hunting in blue chips with good nine-month earnings. The composite index rose 36.70 to 2,964.00. Ayala Land, which reported a 34 per cent rise in nine-month profits, saw its B shares 50 centavos higher at 28 pesos.

Other winners includsd San Miguel and Petron, up 1 peso to 47.50 pesos and 20 centavos to 7.70 pesos respectivaly. Turnover was heavy at 3.6bn pesos, prompting some analysts to say tbat foreign investors might have returned.

KUALA LUMPUR's blua chip stocks moved up sharply at the close, leaving the composite index 7.57 higher at 1168.31. Tenaga picked up 30 cents to M$10.10, *pulling the index up with it.*

Sime UEP, the property developer, added 30 cents to M$6.95, off a high of M$7.05 as investors turned their attention back to the recently neglected sector.

Proton rose 20 cents to S$7.35 on news that it had bought a controlling stake in Lotus, the British sports car maker.

KARACHI climbed on news that the International Monetary Fund planned to resume payments of a stalled standby loan to Pakistan. Late profit-taking cut the gains, but the KSE 100 index closed 10.61 hlgher at 1,455.85, after 1,469.61.

COLOMBO closed higher on small investor speculation thet next Wednesday's budget would be markat-friendly. The all-share index put on 4.58 to 608.48.

Commercial Bank rose SRs8 to SRs110 and Hatton National Bank by SRs10 to SRs295.

SINGAPORE featured a tumble in foreign shares of Singapore Airlines to their lowest for almost a year on selling by overseas funds after downbeat comments by the chief executive.

The foreign shares, most widely followed by fund managers, lost 20 cents at S$12.40, taking thair losses since Monday's poor balf-year results to S$1.60.

Singapore Telecom rose 14 cents to S$3.28 on rumours that its weighting in key regional indices might be increased. The Straits Times Industrial indax was 0.79 easier at 2,083.23.

HONG KONG was caught between optimism after Wednesday's surge in prices and caution ahead of fresb US economic data. The Hang Seng index finished 72.09 higher at 12,477.56 in turnover that eased to HK$6.3bn.

Property stocks were the strongest parformers. Cheung Kong rose HK$1 to HK$62, SHK Properties gained 75 cents to HK$88 and New World Development advanced 70 cents to HK$45.

SmarTone Telecommunications Holdings, the mobile telephone operator which made its debut, closed at HK$16.50, compared with its HK$17.25 issue price.

SHANGHAI's hard currency B share index ended at a record closing low on heavy selling by foreign investors disillusioned by poor corporate performances and Beijing's repeated reaffirmation of a ban on domestic investors trading the B shares. The index fell 0.226 to 47.077 points, below the previous record closing low of 47.13 points on June 7.

DHAKA soared in a further celebration of its own illiquidity. The DSE index rose 162.67 or 5.8 per cent to 2,986.29. It has now climbed more than 50 per cent since mid-October and bas almost quadrupled over the past six months.

Mexico rebounds

MEXICO CITY rebounded after an initial slide. It was almost 1 per cent ahead by mid-session as buyers returned to snap up stocks that were thought to have been hit too hard in Wednesday's tumble.

The IPC index was up 31.00 by mid-session at 3,193.49.

In a rebounding construction sector, Tribasa headed the gainers with a 1 peso rise to 18.50 pesos while Geo rose 1.50 pesos to 35.00 pesos.

SAO PAULO was lower as investors awaited details of an airliner crash in a densely populated area of the city. The aircraft, operated by Brazil's TAM airline, was reported to have been carrying at least eight executives of the Unibanco private bank. TAM preferred shares tumbled 24.1 per cent and the Bovespa index was 578 down at 64,584.

CARACAS fell 2.2 per cent on profit-taking in spite of Wednesday's approval of the privatisation law reform bill which opened the way to next month's CANTV share offering. The IBC index was 130.82 weaker by mid-session at 5,876.90.

Rand helps S Africa ahead

A tururonnd in the rand, which rebounded from fresh morning lows against the dollar, provoked an avalanche of snpport in Johannesbnrg for rand hedge stocks and quality blue chips stocks.

Industrial shares were higher, helped by the firmer currency, while golds, regarded as oversold, moved ahead in spite of a weak bullion price and a softer rand gold price.

The overall index ended 83.5 up at 6,975.3, industrials gained 84.5 to 6,209.2 and golds rose 24.2 to 1,732.3.

Industrial shares led the improvement with some stocks qnickly regaining ground lost during the market's rand-inspired decline on Monday and Tuesday.

The banking sector also fonnd favonr. Standard Bank regained the R5 lost on Tuesday, rebounding to R180. Nedcor jumped R3 to R68.00 while First Nstional edged np a more modest 5 cents to R25.75.

Anglo American was targeted by futures arbitragenrs, gaining R3.25 to R282.20, wbile fellow mining heavywelgbt De Beers rose R2.50 to R138.50.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY OCTOBER 30 1996								TUESDAY OCTOBER 29 1996					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (78)	211.98	0.5	192.53	152.59	166.11	176.06	0.5	4.27	210.77	194.08	152.01	165.49	177.17	216.14	179.98	182.09
Austria (24)	180.38	0.0	163.83	129.85	141.35	141.27	-0.2	1.99	180.35	166.07	130.07	141.60	141.51	195.04	168.36	169.54
Belgium (27)	221.00	0.0	200.72	159.09	173.18	169.34	-0.2	3.94	220.93	203.44	159.35	173.47	169.86	221.99	193.45	194.39
Brazil (28)	182.77	-0.1	166.00	131.57	143.23	345.72	-0.2	1.77	183.03	168.54	132.01	143.71	346.37	189.70	123.97	135.30
Canada (116)	181.94	0.8	165.24	130.97	142.57	176.71	0.5	2.04	180.53	166.24	130.21	141.75	175.88	181.94	138.65	138.65
Denmark (30)	332.70	0.3	302.16	239.49	260.71	261.77	-0.1	1.76	331.71	305.45	239.24	260.45	261.99	336.30	276.69	282.18
Finland (23)	217.06	-0.1	197.14	156.25	170.09	205.47	-0.4	2.43	217.30	200.10	156.73	170.62	206.35	229.98	171.73	228.73
France (93)	201.36	0.3	182.88	144.95	157.79	160.63	0.0	3.02	200.71	184.82	144.76	157.59	160.80	202.03	167.70	173.89
Germany (58)	181.53	0.4	164.87	130.67	142.25	142.25	0.2	1.74	180.79	166.48	130.39	141.95	141.95	181.85	157.72	157.89
Hong Kong (59)	463.79	1.7	421.23	333.86	363.44	460.40	1.6	3.32	456.24	420.12	329.06	358.23	452.91	470.69	354.67	371.69
Indonesia (27)	203.79	0.0	185.09	146.70	159.70	291.04	0.0	1.73	203.68	187.72	147.03	160.07	291.14	–	–	–
Ireland (16)	313.41	0.5	284.64	225.61	245.59	269.73	-0.3	3.33	312.01	287.31	225.04	244.99	270.69	313.41	241.27	241.27
Italy (58)	75.44	-1.2	68.52	54.31	59.12	85.35	-1.3	2.43	76.35	70.30	55.06	59.95	86.50	84.53	67.22	70.57
Japan (480)	138.69	-0.5	125.94	99.82	108.66	99.82	-0.5	0.77	139.29	128.26	100.46	109.37	100.46	164.68	137.95	139.10
Malaysia (107)	574.70	-0.5	521.96	413.89	450.35	559.43	0.0	1.18	577.31	531.60	416.38	453.29	559.18	587.74	425.77	464.54
Mexico (27)	1141.92	-1.9	1037.12	822.01	894.83	9950.63	-1.1	1.38	1162.57	1070.53	838.49	912.83	10061.31	1325.65	791.99	984.30
Netherland (19)	310.62	-0.5	282.11	223.60	243.41	239.76	-0.7	3.06	312.03	287.33	225.05	245.00	241.34	314.85	252.71	253.12
New Zealand (15)	90.10	0.3	81.84	64.69	70.61	67.76	0.3	4.05	89.76	82.68	64.76	70.50	67.59	94.35	75.84	82.14
Norway (35)	265.37	0.3	241.02	181.03	207.95	229.36	-0.1	2.21	264.69	243.74	190.91	207.83	229.49	268.77	222.24	226.33
Philippines (22)	184.39	1.4	167.47	132.73	144.49	241.53	1.4	0.66	181.85	197.45	131.18	142.76	238.18	–	–	–
Singapore (43)	385.20	1.2	349.85	277.29	301.85	249.94	0.8	1.07	380.73	350.58	274.59	298.94	247.91	465.21	381.94	368.40
South Africa (44)	326.17	-0.5	296.23	234.79	255.59	337.95	0.7	2.27	327.68	301.74	236.34	257.29	335.73	437.76	314.20	356.33
Spain (37)	187.65	-0.7	170.43	135.09	147.05	180.75	-0.8	3.25	188.95	173.99	136.28	148.36	182.25	190.09	146.53	146.53
Sweden (48)	390.36	-0.9	354.54	281.00	305.89	378.48	-1.0	2.29	393.93	362.74	284.12	309.31	382.15	400.14	284.18	313.29
Switzerland (37)	244.18	0.3	221.76	175.76	191.33	189.12	-0.2	1.56	243.43	224.16	175.57	191.14	189.48	254.34	219.29	220.93
Thailand (45)	112.53	-2.2	102.21	81.01	88.18	111.37	-2.2	3.08	115.03	105.93	82.97	90.32	113.91	193.89	112.17	159.40
United Kingdom (213)	260.78	0.7	236.84	187.72	204.35	236.84	-0.7	3.98	258.99	238.49	186.80	203.36	238.48	261.17	222.29	223.42
USA (623)	284.83	-0.1	258.69	205.03	223.20	284.83	-0.1	2.09	285.00	262.43	205.56	223.77	285.00	289.37	236.22	236.67
Americas (794)	260.65	0.0	236.91	187.77	204.41	218.27	0.0	2.08	260.94	240.28	188.20	204.88	219.36	264.65	217.17	217.62
Europe (718)	224.19	0.2	203.61	161.38	175.66	181.14	-0.5	3.00	223.66	205.97	161.33	175.63	182.00	225.29	193.02	193.05
Nordic (136)	333.70	-0.5	303.07	240.21	261.49	284.22	-0.7	2.20	335.37	308.82	241.88	263.33	286.12	339.67	261.13	262.82
Pacific Basin (876)	154.69	-0.2	140.49	111.35	121.22	112.38	-0.3	1.25	154.97	142.70	111.77	121.68	112.75	177.01	148.95	150.04
Euro-Pacific (1594)	183.53	0.0	166.69	132.11	143.82	142.07	-0.4	2.14	183.46	168.96	132.34	144.07	142.62	190.57	167.52	167.97
North America (739)	278.72	0.0	253.14	200.63	218.41	277.75	0.0	2.09	278.76	256.70	201.06	218.88	277.84	282.57	232.28	232.67
Europe Ex. UK (505)	189.83	0.0	181.49	143.85	156.59	164.43	-0.3	2.42	199.92	184.09	144.19	156.97	164.93	201.22	172.59	172.59
Pacific Ex. Japan (396)	295.76	0.8	268.62	212.90	231.77	255.46	0.8	2.91	293.54	270.30	211.71	230.48	253.43	299.79	243.59	252.68
World Ex. US (1809)	185.45	0.0	168.43	133.50	145.33	147.18	-0.3	2.13	185.39	170.71	133.71	145.57	147.89	181.55	168.49	168.77
World Ex. UK (2219)	212.33	-0.1	192.84	152.84	166.38	181.77	-0.2	1.91	212.50	195.68	153.27	166.85	182.07	216.41	168.97	167.09
World Ex. Japan (1952)	257.78	0.1	234.12	185.56	202.00	242.21	-0.1	2.45	257.51	237.12	185.72	202.18	242.47	260.37	218.69	218.69
The World Index (2432)	216.48	0.0	196.61	155.83	169.64	186.76	-0.2	2.11	216.49	199.35	156.14	169.99	187.18	220.11	190.22	190.26

Latest prices were unavailable for this edition